

The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

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Professional Notes.

THE Incorporated Accountants' Course held recently at Cambridge owed its conception to the imagination of some of the younger members of a District Society. To use the words of the President, "what started as an experiment became a brilliant success." The friendly spirit and informality which quickly developed did not prejudice a serious attitude towards the main purpose of the Course, and the attendance at the lectures was fully maintained by all those present. The personal interest of the Vice-Chancellor of the University of Cambridge, who delivered a stimulating address to the members, showed that the place of the accountancy profession in modern life was appreciated in the University.

Gonville and Caius College was placed at the Society's disposal by the kindness of the Master and Fellows. The atmosphere of the College and the convenience which it afforded were substantial elements in carrying on the work of the Course.

Lectures were given by leading members of the Society, and a valuable contribution was made to the programme by the Reader in Statistics in the University of London. The programme provided that each lecture should be the basis of a discussion, and that in three instances the members should divide into seven groups for the purpose. This method proved so successful that upon a suggestion of the President it was adopted as the normal procedure after all lectures. Owing to the keenness with which the group discussions were taken up, it would have been advantageous if more time had been available. Should any similar Course be arranged in the future, it might be desirable for the programme of lectures to be less extensive to meet this particular difficulty.

The members attending the Course had the honour of entertaining the Vice-Chancellor and a number of Fellows of Caius and other Colleges to dinner in the College Hall, and the occasion was a memorable one for all who were present. Through the kindness of the Dean of King's College, the members were invited to the service in King's College Chapel on Sunday, July 8th.

A full report of the proceedings appears in this issue, with the exception of the lectures given on the morning of Saturday, July 7th, viz, "Income Tax, Schedule D—Certain Rules and Reliefs," by Mr. A. Stuart Allen, F.S.A.A., and "Report Writing," by Mr. Richard A. Witty, F.S.A.A. Both of these lectures will appear in our September number.

In answer to a question in the House of Commons last month as to when the report of the Income Tax Simplification Committee would be published, it was stated on behalf of the Government that the Committee hoped to complete the preparation of the draft of a Bill in the

course of the present year, and when the Bill was complete they would immediately proceed with the compilation of their report.

Private trusts established in Canada for the benefit of non-residents are to be made liable to 5 per cent. income tax. This has been brought about by an amendment of the Canadian Income Tax Act. The tax is to be deducted by the trustee from the amount paid or credited to beneficiaries, but the operation of the new provision will not be retro-active.

An action against the Union Cold Storage Co., Ltd., by Mr. G. E. Hughes (on behalf of himself and other stockholders) which has occupied the Chancery Court for some time has now been decided by Mr. Justice Eve. It was alleged that certain resolutions which had been passed at meetings of the Preference stockholders of the company were not validly passed, and that certain agreements affecting the rights of the Preference stockholders entered into in pursuance of those resolutions were also invalid. The complaint was that the circular giving particulars of a scheme which had the effect of reducing the interest on the Preference capital failed to disclose all the particulars which ought to have been placed before the stockholders.

His Lordship found that the directors of the company had acted in good faith and with honest intention, and he did not think any valid objection could be maintained on the ground of what was contained in the circular; but, on the ground that the circular did not, in his view, contain all the information which would have influenced the mind of a stockholder in coming to a decision as to the merits of the scheme, he held that the plaintiff was entitled to the injunction which he claimed. In arriving at this conclusion his Lordship appeared to be largely influenced by the fact that a full disclosure of the personal interests of certain of the directors in relation to the scheme might reasonably have influenced the stockholders in coming to a decision as to its merits.

An interesting decision in relation to income tax has been given recently by the Privy Council in the case of *Dinshaw v. Bombay Income Tax Commissioner*. The appellant had claimed an allowance in respect of a debt due by a limited company, but it had been held in the Bombay High Court that so long as the limited company was a going concern the debt could not be said to be irrecoverable. Their Lordships have now held that there is no justification for such a ruling,

and that the question is entirely one of fact to be decided according to the circumstances of each case.

The Duke of Westminster has succeeded in his appeal from the decision of the High Court with regard to certain deductions which he claimed should be made in computing his total income for sur-tax purposes. Being desirous of making provision for certain of his employees who had been in his service for long periods, he made settlements upon them whereby they were to receive weekly payments for the remainder of their lives, but it was arranged that while they were still in his service their wages should in effect be reduced by the amount of the weekly payments under the settlements. No question arose with regard to those of his employees who had already retired, but in the lower Court Mr. Justice Finlay took the view that, as regards those still in his employ, the payments by way of wage reduction were not proper deductions for sur-tax purposes. This decision has now been reversed by the Court of Appeal.

In the third interim report of the Law Revision Committee which has now been presented, a curious anomaly in the existing law is disclosed. In a case of breach of contract where one of several persons, jointly or jointly and severally liable, is called upon to perform the contract in full or to discharge more than his proper share, he has a right to call on those liable with him to contribute to the liability which he has incurred. This, however, does not apply where two or more persons have jointly committed a wrongful act. In such a case the person injured can recover the full amount of his damage from any one of them, but the wrong-doer who has paid the damage has to bear the whole loss, and the other wrong-doers escape by reason of the rule of the common law that there can be no contribution between joint wrong-doers—or in legal phrase joint tort-feasors.

The Committee recommend that this state of affairs should be altered, and they think that the simplest way would be to follow the lines of sect. 37 (3) of the Companies Act, 1929, and give a right of contribution *inter se* in the case of wrongs the same as in the case of contract. The Committee make the proviso that the plaintiff should not be obliged to sue more than one joint wrong-doer, but should be entitled, as at present, to recover the whole of his damages from any one of them.

Observations which are being made by chairmen at meetings of rubber companies, indicate

that the higher price of rubber resulting from the recent agreement as to restriction of output, is likely to have only a limited effect on the profits of the companies, because it is pointed out that costs are likely to show an increase. Under the heavy pressure of constantly falling prices these costs have been coming down consistently for some years, but now, when the market price of the raw material has increased, labour is demanding better terms and companies are consequently finding that their wages bills are increasing whilst other outgoings which had almost, if not entirely, ceased when production could only be carried on at a loss, are necessarily reviving with the resumption of more active operations.

In refusing a demand for the appointment of a committee to enquire into the monetary policy of this country, the Chancellor of the Exchequer said the policy which was now being pursued had not only stopped the fall in prices, but had brought about a considerable rise, and he quoted some significant figures to show the increase which had taken place in wholesale prices of primary commodities. Taking the index at the time that this country went off gold in September, 1931, as being 100, the index had risen at the time of the Ottawa Conference to 100.5. At the beginning of the London Conference in June, 1933, it had risen to 126.7, and in June of this year it was 137.2. In these circumstances he did not consider that a fresh enquiry was called for.

In our April issue we referred to the decision of Mr. Justice Finlay in relation to an amount of £450,000 which was paid by Jurgens, Limited, to Van den Berghs, Limited, in the year 1927 in respect of the cancellation of a pooling agreement between the two companies. Mr. Justice Finlay decided that where a payment was made in respect of the cancellation of an agreement with regard to the future, the payment was a sum received by way of capital and was not assessable to Income Tax. The Court of Appeal have now reversed this decision. The Master of the Rolls, in delivering judgment, said it was impossible to treat the agreement between the two companies as an arrangement for the purchase or discharge of a capital asset, as the payment did not secure the return or release of any such asset.

The Federal Finances of Australia are exhibiting an encouraging recovery. For the year ended June 30th last the Budget shows a surplus of £1,301,000 instead of the estimated deficit of £1,176,000, the principal revenue increases being derived from customs, sales tax and the Post

Office. The effect of this recovery is already reflected in the enhanced values of Australian Government stocks.

In an address on "The Management of Mind" at University College, London, Sir Josiah Stamp made some interesting observations. He said that a student would be mentally more powerful if he knew where to find knowledge instantly than if he stuffed his head with facts. A man who knew his way about a library was more effective than the man who knew twenty of the books by heart. While condemning cramming for examinations as a whole, he believed that preparation for examinations might be an important step in the management of the mind if it induced conciseness, arrangement and proportion. Even cramming might have its virtues in practical life by cultivating the ability to load up quickly, then unload for the job in hand, and afterwards clean up ready for the next task. On the other hand the successful examinee might be merely one who had done a great deal of packing for a journey he never undertook. The best of life and the life most worth living, he estimated, had 90 per cent. routine and only 10 per cent. excitement, novelty and change.

INCORPORATED ACCOUNTANTS' COURSE AT CAMBRIDGE.

(SOME LIGHTER THOUGHTS OF A MEMBER.)

FRIENDLY critics have often said that Accountants take themselves and their profession too seriously and sometimes forget how to enjoy themselves. The Incorporated Accountants' Course held at Caius College, Cambridge, must have silenced the critics. They would gladly have conceded that it is a very poor heart that seldom rejoices.

The Course was the first of its kind, but whatever the doubts of its sponsors they were finally dispelled by its unqualified success. The ultimate strength of the Society must be in the unity of its members, and there is nothing so binding as friendships made in pleasant surroundings, away from the rush and bustle of city life. The Course gave the members leisure to discuss their problems, an opportunity to exchange ideas, uninterrupted by telephone and urgent calls, and the enjoyment of meals in pleasant company, unflurried and unrushed by the pressure of the next appointment. Common interests and contacts with neighbours in the discussion group or in Hall were strengthened by the joy of recreation shared. The Society has realised that the junior members of

to-day are the senior members of to-morrow. They must be encouraged in mutual understanding and exchange of ideas for the benefit of the whole profession and to uphold and strengthen the Society's traditions of loyalty and service.

The Course itself was very comprehensive. Seven lectures in all were given, and, after each paper, members adjourned and divided into seven groups of about twenty each, under the leadership of a Senior member. They settled down in an informal atmosphere to consider points arising on each lecture, describing their own experiences, while difficult points were referred to the group leaders for advice and guidance. The Group discussions proved so interesting that there almost seemed insufficient time for adequate discussion. It must have been agreeably surprising to the Group leaders to discover how many, much too shy to speak in open meeting before their more authoritative seniors, were willing to enter the arena in these informal discussions. Tactful leadership and the opportunity given to members individually contributed much to the success of the group system.

Three mornings were fully occupied in serious lectures and discussions, but for the rest of the day the lighter side prevailed. The Course was favoured with perfect summer weather; there was tennis, cricket and golf in plenty for the more energetic, and informal visits to colleges when there was time. The first social event was the Garden Party at Harpenden, where the President and Mrs. Cassleton Elliott entertained the members so graciously. The guests carried away a vivid memory of the charming home of the host and hostess and its delightful summer garden with shady trees, a strutting peacock and music in the air.

The Vice-Chancellor of Cambridge and Master of Caius welcomed the members at the opening meeting on the first night and on the official guest night the College honoured us by displaying its treasured plate at the High Table.

Meals in Hall were always interesting—who was one's neighbour, where did he live, why had he come to the Course? The "chit" system for extras provided much amusement and a feeling of financial power; the issue of bank notes is so simple, their redemption another matter. The iced lemonade, cider and audit ale received grave attention and the fare was voted excellent—thanks to the efforts of Miss Bradbury, who is responsible for the domestic arrangements at the College.

At Caius we entered the cool greenery of Tree Court through the Gate of Humility, passed

through the Gate of Virtue, with the thought that work was the order of the day, the reason or the excuse for the presence of each one of us. We departed through the Gate of Honour with added pride in our profession.

And who will forget the beauties of Cambridge? The fine old colleges, morning Service at King's College Chapel, the wrought-iron gates of Newnham, the seclusion of the Backs and the shining reaches of the Granta—to be skimmed over gracefully by the expert, but full of trouble and dismay to the unwitting amateur, who never knew a punt could turn in so many different directions at once. How pleasant it was to plunge into the river and swim lazily across to the other side, to sun bathe in blissful peace, to take tea in the Orchard at Grantchester and return in the late evening under a marvellous sky.

A glimpse into undergraduate life for five short but splendid days gave some realisation of what college years, spent in the peaceful and traditional atmosphere of a university, can mean. Let us hope the day is not far distant when there will be a recognised University Course for the budding accountant, who will thus attain a background of serenity, better to face the responsibilities of professional life.

DIVIDEND MANDATES.

It is a common practice for shareholders to instruct limited companies to pay their dividends to their bank so as to avoid loss in transit and secure prompt payment. This practice has obvious advantages both to the shareholders and the banks, especially where many shareholders have accounts at one bank in which case one warrant only in favour of the bank is required.

Table A, clause 95, provides that any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or in the case of joint holders to any one of such joint holders at his registered address, or to such person and such address as the member or person entitled or such joint holders, as the case may be, may direct. Every such cheque or warrant is to be made payable to the order of the person to whom it is sent, or to the order of such other person as the member or person entitled, or such joint holders, as the case may be, may direct. Articles of Association usually make a somewhat similar provision, and it follows that a company under this clause is protected in the event of the loss through the post of the dividend warrant.

In *Thairkwall v. Great Northern Railway Company* (1910), the directors of a company in a half-yearly report and statement of accounts recommended

the payment of a certain dividend on preference and ordinary stock, and gave notice that dividends would be paid on a certain day by means of dividend warrants sent by post to the registered address of the stockholder in each case. The shareholders of the company at their half-yearly general meeting declared the amount of dividend as proposed by the directors, but passed no resolution as to how payment should be made. On the day named in the directors' report a dividend warrant was sent by post to the registered address of a stockholder. The warrant was lost in the post. It was held that in the circumstances there was a request by the stockholder to the company to pay the amount due to him by means of a warrant sent by post to his registered address. Therefore in an action by the stockholder against the company to recover the amount of the dividend in respect of the stock held by him, it was held that the above facts supported a plea of payment by the company, and that the remedy, if any, of the stockholder was to put in suit such rights as he had upon the lost warrant. Mr. Justice Bray said that the only obligation on the company was to pay by means of a dividend warrant; they had sent this document, which was such a warrant, and the warrant having been sent the company were discharged. If the document was a cheque, he was entitled under sect. 69 of the Bills of Exchange Act, 1882, to obtain from the company another document of the same tenor, but only on giving security to the company to indemnify them against all persons whatever in case the warrant alleged to have been lost should be found again.

The usual form of mandate is to pay to a bank "all dividends, bonuses and interest from time to time falling due and becoming payable on any shares, stocks or debentures now or hereafter registered in my name." To obtain the benefit of this posting equivalent to payment, it is necessary to send a crossed warrant. In practice, companies usually decline to accept instructions to pay dividends to a particular account at a bank, and it is therefore necessary for the shareholder to make his own arrangements with his bank as to his wishes in respect to the disposal of the warrant.

USE OF LETTERS "F.C.A." INJUNCTION.

On July 20th, in the Chancery Division, Mr. Justice Bennett heard a motion on behalf of the Institute of Chartered Accountants in England and Wales for an interim injunction until the trial restraining Mrs. D. Kennett, who carries on business as Messrs. Horsley, Webster & Kennett, public accountants, auditors, &c., at High Road, S.E.13, from using the letters F.C.A. or any form of letters suggesting that she was a member of or recognised by the plaintiff Institute.

Mr. J. N. Gray, for the Institute, stated that it came to their knowledge some time ago that the defendant was using the letters F.C.A. on her letter paper, &c. She was not, and never had been a member of the Institute. When complaint was made she said that the letters were not F.C.A., but F.G.A. She was asked what F.G.A. represented, and was unable to say. Eventually she gave an undertaking do discontinue using the letters, or any letters denoting that she was connected with or recognised by the Institute. That undertaking had not been carried out.

Mrs. Kennett, who appeared in person, said that she gave instructions for the letters to be struck out, and there had been some mistake. She was willing to treat the motion as the trial, submit to a perpetual injunction, and pay the costs of the action.

This was accepted by the plaintiffs, and judgment was entered for them in those terms.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held at Incorporated Accountants' Hall on Wednesday, July 18th. Present: Mr. E. Cassleton Elliott, President (in the chair), Mr. R. Wilson Bartlett, J.P. (Vice-President), Mr. A. Stuart Allen, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. Henry J. Burgess, Mr. Frederick Holliday, Mr. Walter Holman, Mr. Edmund Lund, M.B.E., Sir James Martin, J.P., Mr. Henry Morgan, Mr. C. Heweton Nelson, J.P., Mr. James Paterson, Mr. W. H. Payne, Mr. William Paynter, Mr. A. E. Piggott, Mr. Percy Toothill, Mr. R. T. Warwick, Mr. E. W. C. Whittaker, J.P., Mr. Richard A. Witty, Mr. A. A. Garrett, M.B.E. (Secretary), Mr. E. E. Edwards (Parliamentary Secretary), and Mr. J. R. W. Alexander (Standing Counsel).

Apologies for non-attendance were received from Mr. W. Norman Bubb, Mr. Arthur Collins, Mr. D. E. Campbell, Mr. W. Allison Davies, O.B.E., Sir Thomas Keens, D.L., Mr. J. Stewart Seggie, Mr. Alan Standing, Mr. A. H. Walkey, Mr. F. Walmsley, J.P., and Mr. F. Woolley, J.P.

PRELIMINARY EXAMINER.

The Council appointed as Examiner for the Preliminary examination Mr. L. R. Pears, M.A. (Cantab), M.Sc. (London) in the place of the late Mr. E. T. Allen.

DISTRICT SOCIETY FOR DEVON AND CORNWALL.

The Council confirmed the recommendation of the District Societies Committee that a District Society be formed for Devon and Cornwall.

DEATHS.

The Secretary reported the deaths of the following Members:—Axworthy, George Laurence Hanson (Associate), London; Bourke, Gore Henry (Associate), Leigh, Lanes.; Freake, Charles Sydney (Fellow), East London, S. Africa; Harper, Francis Joseph (Fellow), Shrewsbury; Lord, James Henry (Fellow), Bacup; Sinclair, Charles John (Associate), London; Stephenson, Frederick Garrard (Fellow), Scarborough; Tipping, Ernest (Associate), Paris.

INCORPORATED ACCOUNTANTS' COURSE, CAMBRIDGE.

The President made a report on the proceedings at the Course held at Gonville and Caius College, Cambridge, from July 4th to 9th. The Council recorded their thanks and appreciation to the Master and Fellows of Gonville and Caius College for the valuable facilities which had been granted to the Society, and also their satisfaction that the Course had proved a complete success.

Society of Incorporated Accountants and Auditors.

South African (Eastern) Branch.

ANNUAL MEETING.

The sixth annual general meeting of the South African (Eastern) Branch was held at the Royal Hotel, Durban, on May 17th.

The Chairman, Mr. H. O. Berend, expressed his deep sorrow on the death of Mr. E. S. Crosoer, and also on the death of Mrs. George Mackeurtan, O.B.E., the mother of Mr. Douglas Mackeurtan. The members present, as a mark of respect, stood in silence.

The minutes of the fifth annual general meeting were read and confirmed.

The Honorary Secretary read the balance sheet and revenue and expenditure account, and also the auditor's report.

In moving the adoption of the accounts and report, the Chairman stated that the surplus income for the year was not very large and that he would like to see a fairly substantial accumulated fund built up.

Mr. C. E. Leeft seconded the adoption of the accounts, and a discussion ensued regarding the financial position of the Branch.

Mr. Abrahams suggested that the local subscription might perhaps be increased, while Mr. A. E. Hurley said that he did not consider an increased subscription was necessary.

The accounts and the report of the Committee were unanimously adopted.

On the motion of Mr. G. E. Noyce, seconded by Mr. N. E. O. Jones, the retiring auditor, Mr. F. E. Osborn, was re-elected Auditor for the ensuing year.

On the motion of Mr. A. E. Hurley, seconded by Mr. G. E. Noyce, it was unanimously resolved to donate the sum of £21 to the Benevolent Fund of the Society in London.

As there were no other nominations, Mr. H. O. Berend, Mr. T. C. Mitchell and Mr. W. J. O'Brien, the retiring members of the Committee, were duly re-elected members of the Eastern Committee.

The meeting agreed that in spite of the fact that no use had been made of the Consultative Panels, appointed as outlined in the last annual report, they should carry on for a further year.

Mr. Noyce mentioned with regret that the dinner which was to have been held after the meeting had to be cancelled as members of the Eastern Branch had not supported the idea sufficiently. He trusted that it would not be a cancellation of the dinner but only a postponement, and he appealed to all members to support the holding of an annual dinner.

Mr. A. E. Hurley, in proposing a vote of thanks to Mr. H. O. Berend for presiding at the meeting, referred in eulogistic terms to the Chairman and his interest in the Society and the profession.

Votes of thanks were also passed to Messrs. W. Murray Smith and Berend for the use of their board room during the year for Committee meetings, and also to the Honorary Secretary for the work which he had done during the past year.

Annual Report.

EXAMINATIONS.

The usual examinations of the Society were held in Durban in May and November, 1933, and the entries and results were as follows:—

			Sat.	Passed.
Preliminary	..	..	4	2
Intermediate	..	..	8	4
Final	..	..	11	7

Your Committee would like to congratulate Mr. R. G. Wuth on being awarded Fourth Certificate of Merit (bracketed), in the Final examination in May, 1933.

OBITUARY.

Your Committee much regret the death of Colonel G. J. Macfarlane, which occurred during the year under review.

MEMBERSHIP.

The total membership in Natal, on December 31st, 1933, was 58, including 22 Fellows and 36 Associates.

FUTURE POLICY IN SOUTH AFRICA.

The points agreed upon between the South African Societies of Accountants and your Society, as outlined by your Committee in their last annual report, have been given effect to in the new bye-laws of the Natal Society of Accountants, which were promulgated on February 23rd, 1934.

FUTURE EXAMINATIONS IN SOUTH AFRICA.

In your Committee's report for the year ended December 31st, 1931 reference was made to the method of holding future examinations in South Africa. The new arrangements for the holding of examinations in South Africa came into force with the May, 1933, examinations.

CONSULTATIVE PANELS.

At the last annual general meeting of the Branch, held on June 7th, 1933, it was resolved that Consultative Panels should be appointed, and your Committee, in carrying out this resolution, duly appointed three members of your Society to each of the following Committees:—

- (1) Professional conduct and fees.
- (2) Insolvency matters.
- (3) Audit practice.
- (4) Executorship matters.
- (5) Income tax.

No members of the Branch have, as yet, availed themselves of these facilities.

ANNUAL DINNER.

The first dinner held by your Branch took place at the Royal Hotel, Durban, on June 7th, 1933, when Mr. Douglas Mackeurtan, Chairman of the Branch, presided. The dinner was eminently successful, and the Committee have decided, provided sufficient response is made by members, to hold a dinner each year.

SOCIETY OF ACCOUNTANTS' STUDENTS, NATAL.

Your Committee again bring to the notice of members the work done by the Society of Accountants' Students on behalf of clerks, and would suggest that all members in Natal should give it the utmost support they can, both by joining the Society and requiring their clerks to do so, and also by attending lectures whenever possible.

BENEVOLENT FUND.

Last year in general meeting you voted a sum of twenty guineas to the above fund, and you will be asked again, if you think fit, to donate a further amount this year. Members resident in Natal are entitled to receive benefit from the Benevolent Fund in London should occasion arise.

MEMBERSHIP OF COMMITTEE.

The following members of the Committee retire, in terms of the constitution of the Branch, but are eligible and offer themselves for re-election:—Mr. H. O. Berend, Mr. T. C. Mitchell, and Mr. W. J. O'Brien.

AUDIT.

You will be called on to vote the remuneration for the past year's audit, carried out by Mr. F. E. Osborn. Mr. Osborn retires, but is eligible and offers himself for re-election as Auditor to your Branch.

INCORPORATED ACCOUNTANTS' COURSE AT CAMBRIDGE.

THE opening meeting of the Course, which extended over four days, was held in the Hall of Gonville and Caius College on Wednesday, July 4th. The President (Mr. E. Cassleton Elliott), the Vice-President (Mr. R. Wilson Bartlett), Sir Stephen Killik, Mr. C. Hewetson Nelson, Mr. Richard A. Witty, the Secretary and the Parliamentary Secretary met the Vice-Chancellor of the University, (the Master of Gonville and Caius), in Gonville Court, and were conducted by him to the Hall.

The VICE-CHANCELLOR, who was received with applause, said that if he were an Irishman he would probably begin by apologising for his absence—(laughter)—as he was doing his best to be in two places at the same time and he hoped he would be excused if he left early. He desired to welcome the members and hoped they would have a successful time as they apparently combined recreation with business. He had accepted with much pleasure their invitation to dinner on Friday evening, when he hoped not to be so short of time. In the meantime he trusted that they would find the arrangements made were satisfactory and that if improvements could be suggested they would not fail to say so. (Applause.)

Mr. E. CASSELETON ELLIOTT (President of the Society), in reply, said he wished to express to the Vice-Chancellor the high appreciation of his colleagues on the Council of the Society of Incorporated Accountants and all those present at the course for his cordial welcome. The personal interest of the Vice-Chancellor of the University was a source of stimulation to them all. The Course was an educational endeavour, and although he was conscious of the limit of work which could be accomplished in four days, it was a valuable addition to a long period of training and study already completed by all those participating. Substantial provision had been made in the Society's organisation in other ways for those who were receiving training and studying for the necessary examinations to become Incorporated Accountants as well as for senior members of the Society. But it had been felt that some specific and advanced course was needed for Incorporated Accountants who had qualified within the last ten years. The Course was a new, and in some degree experimental, feature of the Society's work. Papers had been read and discussions organised at the conferences which the Society had held from time to time, and their members had had opportunities of profiting by one another's experience at these conferences, and on a wider scale at the International Congresses on Accounting, the most recent of which was held in London last year. But participation in conferences, though open to all, had in practice tended to be confined to those who had already had many years' experience of the matters under discussion. It was felt that the younger

Incorporated Accountants needed facilities to meet together and pursue their studies for a brief period, free from the shadow of examinations, concentrating on definite problems which were likely to confront them in the course of their careers. The useful series of lectures organised locally by the District Societies in all parts of the country were held of necessity in the evenings, when amid the daily cares incident to their profession regular attendance and concentration were most difficult. They were indeed grateful to the Master and Fellows of Gonville and Caius College for their kindness in placing at their disposal the facilities of the College. More agreeable or more appropriate surroundings they could not seek, and they could in the University atmosphere of Cambridge review their work, detached from its practical and often pressing anxieties—subject to the counter fascinations of river and the College sports ground which the College clubs had permitted them to use. A University was devoted to the search for truth, and aimed at instilling in others a love of truth and learning. With professional studies as such it was perhaps less concerned. The constant search for truth in accounts and for the facts upon which sound finance was based was of another order—perhaps more technical, and more restricted. But the work of the accountancy profession, concerned as it was with finance, commerce and industry, demanded an ever-widening sphere of knowledge joined to experience, ripe judgment and strict integrity; and he might be permitted to say that there were high purposes common to the work of the University and their profession—the cultivation of accuracy and clear thinking, and, above all, the development of character. Next year the Society of Incorporated Accountants would celebrate its jubilee, and he rejoiced to think that among the accomplishments of that fifty years' work would be a record of that Course, and of the welcome which the Vice-Chancellor had given them to Cambridge University and to that College. (Applause.)

The PRESIDENT then read the following telegram from Sir James Martin:—

Best wishes for successful Course in which I am much interested. Regret unable to be present. Greetings to Members.

Also from the Society's South African Committees in the following terms:—

Joint South African Committees tender best wishes for happy and successful Course.

The messages were received with acclamation and the Secretary was asked to send replies expressing the thanks of the Members of the Course for the respective messages.

On Thursday, July 5th, a Lecture was delivered on
**THE DUTIES OF AUDITORS FROM TRIAL
 BALANCE TO REPORT IN REGARD TO
 COMPANY ACCOUNTS**

BY

Mr. C. HEWETSON NELSON, F.S.A.A.

Chairman : Sir Stephen Killik, F.S.A.A.

Mr. NELSON said : It will perhaps be convenient if we start our consideration of the subject by reminding ourselves of the final objective, namely, the Auditor's Report, which is set out in Sect. 134 of the Companies Act, 1929, in the following words :—

(1) The auditors shall make a report to the members on the accounts examined by them, and on every balance sheet laid before the company in general meeting during their tenure of office, and the report shall state :—

(a) whether or not they have obtained all the information and explanations they have required ; and

(b) whether, in their opinion, the balance sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company.

(2) Every auditor of a company shall have a right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to require from the directors and officers of the company such information and explanations as may be necessary for the performance of the duties of the auditors :

Provided that, in the case of a banking company which was registered after the fifteenth day of August eighteen hundred and seventy-nine, and which has branch banks beyond the limits of Europe, it shall be sufficient if the auditor is allowed access to such copies and extracts from such books and accounts of any such branch as have been transmitted to the head office of the company in Great Britain.

(3) The auditors of a company shall be entitled to attend any general meeting of the company at which any accounts which have been examined or reported on by them are to be laid before the company and to make any statement or explanations they desire with respect to the accounts.

The historical aspect of the document signed by the auditor is fully set out in the thirteenth edition of Dicksee's Standard Work on the subject, where we are reminded of the distinction between "certificate" and "report." The word "certificate" relates to a statement of ascertained fact, whereas the word "report" is something "brought back" in answer to an enquiry by an independent messenger selected for that purpose by reason of his impartiality and trustworthiness. It will be remembered that under the 1907 and 1908 Acts an auditor might attach to his certificate a reference to a further report which was to be read before the Annual General Meeting and be open to the inspection of any shareholder. These

special reports were sometimes extremely useful, particularly when it was desired that information should not be conveyed other than to the shareholders. The Act of 1929, which came into operation on November 1st of that year, put an end to the issue of special reports. I find that the last date upon which my firm as auditors utilised the words "and to our special report of this date" was October 1st, 1929. Under the present regime the auditor's report is an absolutely public document. Strictly speaking, the word "certificate" under the new Act is only applicable to the certification of profits for prospectuses under Sect. 35, Schedule 4 (2) and to the Statutory Report under Sect. 113.

**IMPORTANCE OF AUDITING AS A BRANCH OF
 PROFESSIONAL WORK.**

The amount of professional business under the head of Audits is increasing and I believe this applies to both large and small business. Each class involves the auditor in definite legal and professional responsibilities.

Auditing as a branch of professional work comprises the statement and application of principles, which substantially constitute the technique of the accountancy profession. The principles and mental processes involved in auditing are also of value in other branches of professional work. Accuracy, experience and judgment and the independence of the auditor are its key-notes.

THE GOAL OF THE AUDITOR.

Compliance with statutory duties laid down in the Companies Act is what is primarily demanded of the auditor. Those statutory requirements are laid down in general and elastic terms but there are also specific requirements in regard to company accounts. I am in entire agreement with the recent statement of the President of the Society to the effect that auditors should not place an emphasis on limitation of duties.

The Society's report on amendments to law regarding accounts of companies was exhaustively dealt with by Mr. Henry Morgan at the International Congress. The report did not make any recommendations of a voluntary character ; but in the absence of any amendment to the law, the recommendations remain on record and are not inconsistent with the present more elastic requirements of the Companies Act. Thus the report is valuable for guidance in present-day practice.

You are all aware of the considerable variation in the amount of information afforded by published accounts of companies. Onus is obviously upon directors rather than upon the auditors. The auditor must be mindful of legal decisions on approaching his duties. The general tendency of decisions is to increase the responsibilities of auditors ; but where auditors have carried out duties with great care and a sense of responsibility, the Court will not countenance any attempt to saddle them with responsibilities for lapses or losses which are properly attributable to others. The accounts are the accounts of the directors, but auditors must use their influence with

directors to see that the accounts afford both statutory and reasonable information. (See Sect. 128 (4).)

Accuracy and strict application of well-established principles is demanded. The form of the statement of accounts and other information must be adequate (see Sects. 124-126 and 128-9) and must be such as will not mislead reasonable people. Auditors' reports must impress the accounts with a certain character—that of reliability and integrity. Thus beyond statutory requirements, legal decisions, or even adequate information, is respect for high ethical standards.

TRIAL BALANCE.

Assuming that a trial balance is submitted to the auditor, it is also convenient to assume that a draft trading account, profit and loss account, and balance sheet are also prepared and submitted. The accuracy of the trial balance must be considered, particularly the system of internal organisation and internal check; and the extent of the liability for error to creep in.

Test methods may generally be applied in regard to the accuracy of items in the trial balance. A Prize Essay has recently been prepared for the London Students' Society on the question of test methods and will be published later in the year.

The possibility of fraud or error must be taken into consideration. Any test which gives ground for suspicion of either or both must be scrutinised and investigation made to elucidate the position and remove any ground for doubt. The schedules and ledger account balances relating to the trial balance should be examined as far as possible to ensure that the figures are comprehensive and include all items which ought to be included in the period.

At recent International Congresses, it was observed that our Continental colleagues attached great importance to the verification of all details. The auditor's examination must be thorough but it can be systematic and scientific without necessarily involving the scrutiny of every individual item. The British point of view was that it is essential to organise and review the system of internal check, to rely within reasonable limits on well-ried test methods and to concentrate on the important question of principle involved in an audit. This course was likely in the long run to produce more satisfactory results and did not involve a skilled auditor in greater risk, than by attempting a detailed scrutiny of everything—in fact that method might easily defeat itself by the auditor attempting to do what was not really practicable, although the course superficially might seem logical. The application of skill and experience is of greater significance than conformity to mass detail methods.

GENERAL OBSERVATIONS.

In trading accounts, profit and loss accounts and balance sheets the accountant is dealing with the elusive and almost indetermined problem of values. Speaking in Cambridge reminds one of the weighty doctrine of value expounded by Professor Marshall—the length of time involved is a great factor in dealing with values. This involves considerations of re-sale

or the value in use. Where goods are for re-sale the time period is short, but where assets are in use, generally speaking, the time period is long. In the one case immediate prospects must be considered; in the other immediate and enduring earning power.

The conservation of resources, whether as working capital or to meet anticipated but not realised losses or depreciation or obsolescence, the rapidity of changes due to science and fashion, tend to make the time period shorter and the risks greater. For example, the value of a stock of ladies' hats is determined less by manufacturing costs than by the immediate considerations of fashion, and the existing and immediately prospective demand for them. In the case of fixed plant of comparatively long life, the effect of scientific invention on its earning power relatively to the earning power of plant of competitors arises. The period here is long, but invention tends to make it shorter. In an intermediate class there are such things as motor-cars. The life may be determined say for four years, and depreciation provided accordingly. Although the market value of the cars from year to year may depreciate more rapidly, the competitive factor may not be so serious, as in all probability four years' good and profitable work can be obtained.

THE TRADING ACCOUNT, WITH SPECIAL REFERENCE TO STOCK IN TRADE AND WORK IN PROGRESS.

It is impossible for me in the short time at my disposal to deal with all items relating to trading profit and loss accounts and balance sheets, and only the more salient items will be considered. I attach great importance to the value of stock in hand; net profit is largely dependent upon this item. If stock valuation is substantially wrong either in principle or detail, consequences may be serious, as the assumption in making distribution of dividends is that stock values will at least be realised in the succeeding period. The items of this character fall under five headings:—

- (a) Raw material or partly manufactured items to be made up or re-sold.
- (b) Partly manufactured goods.
- (c) Goods manufactured and in a complete state ready for sale.
- (d) Work in progress.
- (e) Goods purchased for re-sale as in a merchanting or soft goods business.

Considerations in regard to Value of Stock in Hand.

—We must bear in mind the observations as to value already mentioned. The usual formula is, cost or market price, whichever is the lower. Market price should be determined by the cost of replacing similar goods. There may be difficulty in determining market price, especially for specialised goods. If at the date of stock-taking goods manufactured could be manufactured for a lower cost, the value must be written down to that cost.

The editor of the *Journal of Accountancy*, New York—a periodical of high standard—reviewed a correspondent's attack on "cost or market price, whichever is the lower": the correspondent argued that value should be uniform—cost or market price

or otherwise throughout according to the needs of the business; balance sheet values, he argued, should be according to the purpose of the balance sheet. The correspondent described the usual formula as "illogical, inconsistent and flexible." The editor remarked that the formula was not perfect, but the best practical formula which had been devised—and he asked for light, not thunder. In dealing with the formula the following points call for consideration:—Produce, for example in rubber, tea and coffee: Selling price is generally taken less a generous deduction for freight and charges—object to show result of year's crop. Partly finished goods: Should the value be (a) cost of raw materials plus wages, or (b) cost of raw materials plus direct expenses plus percentage for factory oncost? It is safer to disregard oncost. In the case of finished goods the value should not exceed cost or the price at which the same goods can be purchased outside.

In applying the formula relative movements of wholesale and retail prices for the same commodities or articles must be watched. Wholesale prices usually move in advance of retail prices; thus if goods are available for retail sale and wholesale prices have fallen more rapidly than retail prices, then the retail market price is too high for accounting purposes. If wholesale cost price of articles, or of material from which they are made, is advancing, an addition to retail price would hardly be justified, as this would be an anticipated profit. If cost price has fluctuated, a choice must be made between price of last consignment, average price of a number of consignments, or the cost of the consignment at lowest price. If prices are rising abnormally due to some adventitious reason, prudent counsel is to provide some reserve for the inevitable slump. The traditional principle is still in general favour, that is, either actual cost of goods or what they would have cost if bought on the date of the balance sheet, whichever is lower (or selling price if that is lower still).

Stock valuation demands a conservative attitude. Those who depart from established practice must recognise their responsibility and must be justified by weighty reasons.

The Auditor and Methods of Stock-taking.—The auditor is not a valuer; he cannot take stock and be personally responsible for its value, but he cannot shield himself behind this professional practice. He would be culpable if there had been a gross error of principle, or conceivably a gross fraud on the part of others and he had not been sufficiently and reasonably vigilant.

In considering all the factors leading to a particular value of stock, the original stock-sheets signed by the responsible officials of the company must be examined. Test calculations should be made, and casts made (with the use of an adding machine). Enquiries should be made as to the method of stock-taking and the system of valuation adopted. A portion of invoices should be checked against values allocated to particular items. Care must be exercised in dealing with the stock-sheets of identifiable articles; for example in the case of motor dealers, both bought ledgers and sales ledgers should be scrutinised to be sure that the

items in the sheets were available on a given date. (See the case of *Colmer v. Merritt, Son & Street*, K.B.D., January, 1914.) Invoices of purchases made immediately at the conclusion of the year should be examined to ensure that no items purchased after the end of the year had been accidentally or surreptitiously included in the stock figures. Enquiries should be made as to the actual system of stock-taking, by whom the stock was taken, how and by whom the final control was exercised.

It has been suggested that a representative of the auditors should attend for at any rate a part of the stock-taking, to be familiar with the physical methods adopted and the pricing methods. The attendance must be for the purpose of obtaining information, and must not imply responsibility for what is being done. This should be made clear. If, however, the methods are not altogether sound, the auditor could doubtless advise his clients and recommend changes. Where stock books are kept, the balances shown on the respective stock accounts should be checked either in detail or by a number of test items. Any discrepancy should be fully explained.

Where goods are held overseas care must be exercised as to the certification of the stocks and as to exchange considerations, so that no gross error may creep in. Exchange fluctuation is an important question that cannot well be entered into in detail in this paper.

WORK IN PROGRESS.

The cost accounts relative to the schedules of work in progress should be scrutinised and a survey made of the system of preparing and checking such cost accounts. Enquiries should be made as to whether any adverse and unforeseen factors have materially added to the cost, for example, in the case of contractors, a gale, or bad weather or other circumstances. If so, full provision should be made. Some anticipation is unavoidable, as it would be unfair to eliminate a figure for work in progress because still uncompleted. The judgment of Mr. Justice Bennett in *re The Westminster Road Construction and Engineering Co., Ltd.* (Ch. D., February, 1932), is of the utmost importance and indicates the extent to which auditors are required by the Courts to examine all the material information and factors in relation to work in progress. Experience is a great factor, and in that case it was clear that, had the actual work of verification been entrusted to a more experienced assistant than the clerk who carried out the work, the claim, which was successfully made against the auditors of the company, would have been avoided, as the errors would have been detected. In my opinion it is of the utmost importance that the auditor should pay particular regard to the question of stock in trade, and it will repay the trouble if in cases which justify it he prepares a columnar register so that he can compare prices from year to year. For instance, in the timber trade he will get into his register the various descriptions such as: Archangel Whites, Archangel Reds, Columbian Pine, Danzig Whites, Finnish Whites, Canadian Birch, Leningrad Whites, Oregon Pine, Rio Prime Pitch Pine, together with the various sizes

dealt in. In addition, he can quite easily obtain importers' price lists, and a reference to the trade journals will give him further information as to prices existing at the date of the balance sheet. Taking into consideration the case of a large industry with numerous works, it is obvious that if each works manager took stock on a basis selected by himself the result would be unsatisfactory. Accordingly, the head office of the company usually send to each works manager each year printed instructions as to the principles to be followed for stock-taking purposes. These instructions set out price per cwt. or per ton at which each commodity is to be calculated. So far as stock is contained in chambers the works manager advises the quantity of full strength, half-strength, and so on. These instructions can readily be obtained by the auditor and prove extremely valuable in connection with his check.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET.

These two items fall to be considered together, because the values placed upon assets and liabilities are reflected in the profit and loss account. Dealing with the values of assets and liabilities, auditors must consider facts as they exist, but there are questions of principle and sometimes of policy previously laid down to be taken into account. Many factors which operate are subtle; their effect is not revealed until time has passed, and from time to time the situation must be reviewed by the Board in consultation with the auditors to determine what financial and accounting policy should be adopted to ensure that the more subtle factors operating on values are provided for. Circumstances may change, and an accounting policy previously regarded as sound may prove inadequate and larger provision be required in the accounting system to meet these changes. The suggestions of the directors will come before the auditors, whose duty it is to weigh all factors arising in relation to the circumstances which obtained at the date of drawing up the accounts. It may be said that the auditor ought not to look ahead into a period in advance of the accounting period, but a little perspicacity cannot be out of place because it may be known with a fair degree of certainty that factors have come or are shortly coming into operation which demand a conservative attitude towards balance sheet items about which there may be any margin for argument.

In regard to the floating assets in a balance sheet, the student who declared a "mine" to be a liquid asset because it is constantly diminishing, had evidently been reading that Lord Justice Farwell had in 1902 regarded blast furnaces as floating assets. (*Barrow Haematite Steel Co. case.*) Junior members of the Society are sufficiently experienced and informed to know the proper course to be pursued in checking cash, bank balances and securities. Needless to say you do not, as a candidate some years ago suggested, verify inscribed stock "by making a selected list from the inscribed stock book and check the same with the goods in the stock room." The value of marketable securities can, if necessary, be certified by stockbrokers, but the auditor must be satisfied of the existence of such securities, bearing

in mind the considerations laid down in the case of *in re City Equitable Fire Insurance Co., Ltd.* (Ch. D., May, 1924.)

I will now consider, in some detail, the question of depreciation of fixed assets and the more thorny question of secret reserves.

DEPRECIATION AND OBSOLESCENCE.

This question was treated fully in a paper at the International Congress by Mr. H. G. Howitt. Taking the long point of view in regard to values of fixed assets, the charges to revenue account for depreciation are related to value in use, that is, to earning power, and to enable the capital outlay to be distributed over the effective life of the asset. If it is necessary in any circumstances to look at an asset from its selling value, the considerations are different; the services of a valuer may be required. When fixed plant of enduring use is acquired, technical advice can be taken as to its probable life, assuming normal wear and tear. The policy can then be determined as to the particular method to be adopted in depreciating the asset. The policy selected should be reviewed from year to year in the light of existing circumstances. If scientific invention has rendered the asset substantially obsolete, though not worn out, a revision of accounting policy may be called for. Bearing this in mind, however, there are four methods available, and they are commended to your detailed consideration and study:—

1. *Reducing Balance Method.*—An estimate is made of residual value which is deducted from the total cost of the asset, and the amount to be depreciated is provided for over a period of years by a fixed percentage on the reducing value of the asset each year. In this way the heaviest provision is made during the earliest years—which is conservative—and the depreciation is heaviest in years when the earning capacity is probably highest.

2. *The Sinking Fund Method.*—An estimate is made of residual value at the end of the period representing the life of the asset. The residual value is deducted from the original cost, which indicates the amount to be depreciated. An estimate is made of the probable rate of interest which can be earned during that period. By reference to a book of tables it is possible to ascertain a fixed annual sum necessary to be set aside each year, which accumulated at compound interest will produce at the end of the period the total value to be depreciated. Here the amount set aside for depreciation increases each year and the depreciation is heaviest when the earning power of the asset is least. The depreciation corresponds to some extent with the engineering facts, but this method leaves to future years the greater burden of depreciation. The sum set aside may be used in the business or invested outside the business.

3. *The Annuity Method.*—Interest is charged on, and added to, the depreciated residue of the cost of the asset. The accumulated total is then written off equally over the period. In other words an annuity is provided each year to amortise the total cost with interest.

4. *Straight Line Method.*—Under this method the value of the asset is written off equally over the years of life, as in the case of ships.

In dealing with depreciation the question of obsolescence is increasingly important. The Inland Revenue will, of course, make a concession in respect of obsolescence where it is shown that the obsolete asset has been sold and an amount can be agreed to be written off for income tax purposes of the amount of loss incurred through obsolescence and not provided for by depreciation. It is important to remember that the Board of Inland Revenue has agreed rates of depreciation in the case of some seventy different trades and that in every case except shipping the rates are on the written-down value.

MISCELLANEOUS MATTERS.

In advocating a conservative policy in regard to depreciation and provision for contingent losses, the creation of secret reserves thereby cannot be overlooked. The creation of secret reserves, which I am informed by an aspirant to the profession is "usually kept by banks in bullion but not shown in the balance sheet," was probably regarded more favourably in the past than at present. It may be a comfortable thought to directors and shareholders to know that the actual state of affairs is even better than the balance sheet represents. There may be justification for making a provision which for the time being constitutes a secret reserve, but the continuance of secret reserves, it must be admitted, can easily lend itself to abuse. It may be taken as generally agreed in the profession that where undisclosed reserves are drawn upon for the purpose of augmenting current earnings, that fact should be made abundantly clear to the shareholders. It is almost impossible in a well-conducted concern to avoid secret reserves, and indeed the absence of proper provision for reserves, whether secret or otherwise, and the desire to distribute too large a proportion of profits to shareholders, has all too frequently been the cause of financial disaster. I may here reiterate the recommendation of the Committee of the Society that in the profit and loss account any debits or credits which are abnormal in character or extraneous in their nature to the ordinary transactions of the company, together with any reserves from a previous period no longer required, should be stated separately.

SHARES IN SUBSIDIARY COMPANIES.

This is one of the most thorny problems in a balance sheet. The extensive use of subsidiary companies has made this question more important than ever. The problem arises from the fact that in many cases the shares of the subsidiary companies are not quoted in the market.

If the shares are stated in the balance sheet at cost, the problem arises as to whether that statement is justified where (a) losses are made, or (b) profits have been continually earned over a period of years sufficient to indicate that the capital held by the parent company has increased in value. If the loss appears to be of a temporary character, due to

circumstances which can be determined as being temporary, there is justification in maintaining the value at cost. At the same time it may be convenient to build up a reserve against possible losses in the value of shares held in subsidiaries. If a fair rate of dividend, say five or six per cent., is maintained by the subsidiaries, the statement at cost is a fair proposition. Where losses have been made continuously it is suggested that some amount ought to be written off for the value of the lost capital so far as that amount can be ascertained. Where a gradually increasing percentage of dividends is earned and declared the increased dividend is reflected in the profit and loss account of the parent company.

The value of shares in subsidiaries at cost, then, has frequently an element of secret reserve, but if the dividends received from the subsidiaries are stated and compared with the cost value of the shares in subsidiaries, the least discerning shareholder can form an opinion that a reserve of a substantial amount exists even though not disclosed. To write up and down the value of shares in subsidiaries is a hopeless policy, and in the absence of any untoward circumstances there is much to be said for keeping the value at cost, with a clear statement in the balance sheet to this effect. The position is further clarified by the statement which, under the Companies Act, directors are obliged to make on the balance sheet showing how the profits and losses of the subsidiary company, or companies, have been dealt with. Each case should be considered on its merits and the position indicated either in the balance sheet or in the report, so that shareholders may not be under any misapprehension as to how matters stand.

The subject allotted to me is much too big for a short paper, and all that I have been able to do is to refer to the more important points. Sects. 133, 152 and 274 of the Act of 1929 are all worth typing out for everyday use.

It is increasingly obvious to me, as one of the examiners, that a small percentage of our candidates for the Final still need further training in the principles of accountancy, and I therefore venture to suggest that the next assembly of the present character should be open upon conditions to candidates for the Final examination.

Group Discussions on Mr. Nelson's Lecture.

The discussions on this Lecture ranged over a wide field, but a number of points, such as auditors' duties in connection with the valuation of assets in the balance sheet, questions of depreciation and obsolescence, subsidiary companies and secret reserves, were those which attracted most attention.

On the question of the verification of stocks, it was pointed out that the Lecturer had not dealt in his paper with the test which might very usefully be applied to all stocks by the use of a comparison of the gross profits over a period of years. It was also felt that the question of the accountant attempting to check the quantities of stock presented great difficulties owing to his lack of technical knowledge of the individual trades, and, whilst being prompted with the highest motives, the auditor might achieve results which were entirely misleading.

Dealing with the question of valuation of work in progress, it was considered that an architect's certificate, or a valuation by some other outside authority, was a better basis than the cost figure.

Respecting the valuation of fixed assets, it was suggested by one member that expert revaluation gave a better basis than cost less depreciation, but the general feeling of the group was that, whilst this might be advisable in certain circumstances, in the majority of cases the adoption of cost less depreciation was the better basis.

With regard to the question of the verification of assets generally, and in particular deeds and titles, it was recommended that the auditor should rely on a solicitor in checking deeds and titles to properties rather than on his own ability. The point was stressed that the auditor on the first occasion should always have the protection of a solicitor when examining deeds or the title of his client to any property.

The point was emphasised that in dealing with stock-taking, as with all matters, an auditor should have an enquiring mind, but there was a difference between an enquiring mind and a suspicious mind. The auditor's actions should not proceed from suspicion.

In another group the view was expressed that the auditor should not be considered a valuer as regards stock, but he would be culpable if he had not been reasonably vigilant.

As regards depreciation and obsolescence, one member said that he would like to add a fifth point to the four tests mentioned by Mr. Hewetson Nelson. The test he would apply was the value of the company as a going concern. Wear and tear should be calculated on new machinery value rather than on the value of the actual machinery in use.

In one group the point was discussed, which was the more desirable method of showing provisions made for depreciation, (1) by writing down the assets; or (2) by creating reserves on the liabilities side. There seemed to be general agreement that the second method was to be preferred.

Where secret reserves were drawn upon to augment current profits, the fact should be made abundantly clear. Another member referred to the Society's proposals for Company Law reform, which would strengthen the position of the auditor. One member raised the question whether it was sufficient to show advances to directors on the face of the balance sheet, or whether auditors should draw special attention to such items. The same contributor thought that auditors should look through the Purchase Journal for the month following the period of the accounts.

The point was raised whether the auditor should mention in his report matters which had taken place between the date of the accounts and the date of the certificate.

A Lecture was then given on

THE SOURCES OF STATISTICAL INFORMATION, WITH SPECIAL REFERENCE TO INDEX NUMBERS

BY

MR. E. C. RHODES, B.A., D.Sc.

Reader in Statistics in the University of London

Chairman: Mr. Richard A. Witty, F.S.A.A.

Mr. RHODES said: The word Statistics is given a variety of meanings from time to time; sometimes it means merely figures, generally tabled figures, such as statistics of foreign trade, sometimes it means statistical methods which are used on original figures, in order to expose the hidden relationships, sometimes it means the study of the results of a statistical analysis. Now I suppose that if I were giving a talk on Accounting to laymen, and if I said practically the same thing again with accounting substituted for statistics, I should roughly have said what accounting meant. I suppose that many of the problems which confront a statistician are very like those confronting an accountant. A statistician has to group data as one of the preliminaries to tabulation, to put together those units which are

alike in certain respects, so that a table can be produced which will show in a compact form a mass of original data. This sort of work is often very difficult, because it may not be easy to decide whether certain units are really like enough to one another to be placed in the same class. Any one who reads the published reports of the Registrar General will find out how difficult it is to get tables showing the distribution of the population by occupation and industry in a compact form. Similarly in foreign trade statistics, showing imports and exports separated into raw materials and articles mainly unmanufactured, and articles wholly or mainly manufactured, no adequate definition can be laid down to serve as distinguishing these two classes. In the same way I suspect that a presentation of accounts is accompanied by the same kind of difficulties where the problem is to present a mass of original figures in a small compass. Here again, grouping is necessary, so that each heading shall consist of those items which are more or less the same, and again I suspect that all kinds of difficulties arise relating to the allocation of certain doubtful items—Is this stationery or is it printing, is this capital or is it income?

THE ACCOUNTANT AS STATISTICIAN.

The accountant is a statistician or, at any rate, the beginning of a statistician, perhaps without knowing it. I am sorry that I cannot claim that the converse is true. One of the simplest of statistical methods consists in preparing the right kind of tables, putting in close proximity figures which are to be compared. This the accountant does. The statistician should, before drawing any conclusions, examine these figures and their history—their antecedents—to discover whether these figures ought properly to be compared, that is whether it is right to interpret the relationship existing to mean anything. This is the problem of the meaning of statistical data, and is bound up with definitions given to particular terms. For instance, we may find from published statistics that the total number of persons estimated to be insured against unemployment in Great Britain in July, 1925, was 11.9 million, and in July, 1933, was 12.7 million, but before making a comparison between these figures we ought to discover that these two totals do not quite relate to the same kind of persons owing to administrative changes which have taken place in the meantime.

COMPARISON OF RATIOS.

The same caution must be used before ratios can properly be compared, which is the next simple statistical process in universal use, that of comparing figures by taking the ratio between them. When comparisons of ratios are made in time, as is often done, we must not forget that these ratios did not happen in that form, they are calculated from other figures. It is perhaps straining a point to insist on this fact, but the origin of ratios is often lost sight of in the excitement of observing how they have behaved in time. For instance, we may be interested in observing such a ratio as the output per manshift, which is calculated from statistics of the coalmining industry. If we trace the changes which have taken

place in this ratio over a period of time, we may be encouraged to look for the effect of mechanical means of getting coal, but when we try to analyse this series of figures, we find that there are all kinds of different causes at work affecting these ratios, such as changes in the distribution of production between the different areas in the country, and between the mines, which really render the figures in their original form absolutely incomparable. The statistician must go into these sorts of considerations before ever attempting any arithmetical work.

There are some curious results in certain railway statistics published by the Ministry of Transport, due to fundamental changes in the numerator and denominator of ratios, such as the average wagon load. In time the distribution of volume of traffic changes slightly geographically, and as between different classes of freight, and these changes affect such an average, quite apart from any changes due to greater efficiency.

WEIGHTED AVERAGE.

Now difficulties of this sort which are encountered when we are dealing with national statistics probably also may be expected to occur "locally," when a particular firm's progress is being considered. "The curious behaviour of a weighted average" may sound like the title of a short story, but it means a lot in a statistical analysis, if an investigator proudly pointing to a plausible explanation of such behaviour is disconcerted to find his explanation ridiculed, and the correct one given by some one with inside knowledge.

An experience of a somewhat different nature was that of an anthropologist who, working on rather faulty data respecting families of natives in one of the dependencies, discovered that the more wives a married man had, the greater the average number of children per wife. The explanation furnished by the man on the spot who had the local knowledge was that the well-married man was the richer man, and that he tended to get into his household others not properly belonging to him, and that these were returned to an enquiring official as his children.

Besides being interested in statistical methods and the difficulties of applying them and of interpreting the results in connection with data of a particular concern with which he may be connected, the accountant should also know something of statistics generally, that is, statistics relating to the state of trade. This means that he should have some acquaintance with statistics of materials, labour, production, exchange and distribution. He should know what these statistics really mean.

ESTIMATED STATISTICS.

Statistics relating to materials used in manufacture are available in the accounts of trade, because such a bulk of our materials is imported, in reports of the Ministry of Mines and the Ministry of Agriculture. It is useful to realise that "estimates" are largely used for certain statistics, for instance, the crop results, and all the figures relating to agricultural production, and these estimates may be subject to revision. For example, the crop reports estimate the size of the wheat crops each year. The Ministry of

Agriculture estimate from birth rates and fertility rates and death rates the annual slaughter of cattle in the country, and similarly estimate the annual milk and wool production. Now the information on which the various multipliers which are used is based was until recently obtained in 1925. A more recent enquiry in 1931 has shown that some of these have changed considerably, and the later estimates were out by 10 or 15 per cent.

Price changes are of great interest, and are shown in index number form. The calculation of an index number of prices and the problems connected with the subject would fill a book.

Mr. Rhodes concluded with references to Employment and Unemployment Statistics, Index of Production, Cost of Living Index, Index of Business Activity, and the general difficulty of getting the arithmetical aspect of a problem.

Then followed a Lecture on

THE STATISTICAL INTERPRETATION OF ACCOUNTS

BY

MR. W. BERTRAM NELSON, F.S.A.A.

"One of the most immediate preliminary steps towards national recovery ought to be a thorough overhaul of existing statistical methods and machinery." (Sir Basil Blackett.)

"Present methods call for a new system of Accountancy, regarding measurements of markets, their future trend and regulation of production." (Sir Herbert Austin.)

Mr. NELSON said: To follow Mr. Rhodes on the subject which we are discussing this morning is no small responsibility, and I find myself wishing most heartily that some more expert member of the Society had been charged with the task of speaking to you on the interpretation of accounts. I have, however, to unburden my mind to you on the subject of how we can use some of the methods of statistics in our everyday practice of Incorporated Accountants. For that purpose, I propose to take the accounts of some typical medium-sized businesses and, briefly and inexpertly, to submit to you some theories as to the interpretation of the ordinary financial statements of these concerns.

PRELIMINARY SURVEY.

In every case, I think that it is desirable to commence our investigation by a preliminary survey of the business as a whole, including the Balance-Sheets and other records for the past five or more years, special note being taken of such items as:—New capital introduced; the acquisition of new plant, new buildings or new branches; the general trend of the particular business and of the trade generally; price variations during the period under review; changes of personnel. Having thus in mind the background of our problem, we pass straight to the Trading and Profit and Loss Account. Let us commence with the principal item in the Trading Account, namely, sales.

SALES.

I want to put before you four principal methods of analysing our sales records.

(1) *The first* (illustrated in Table 1 before you) is the familiar method of a Sales Chart built up month by month as the year goes on, the

previous year's figures being also shown on the chart where practicable. In the example before you, you will see that at the foot of the chart we have the ordinary monthly sales graph. Above this, we record the cumulative total to date, while at the top of the chart we plot the moving annual trend. Let me emphasise the value of this last graph. As you know, it is perfectly simple to construct—thus, in January, we commence the graph by simply taking the total sales for the twelve months ending January 31st; for February we do likewise; that is, we take the total for the year ending February 28th, the principle being, of course, to add the new month's figures and to cast off the figures for the corresponding month a year ago. The resultant graph has the advantage of eliminating all seasonal variations and thus shows the general trend of the business very clearly; I know of no better method of keeping watch on the general health of a retail business.

- (2) *Our second method* is rather more complicated and is based upon the general theory of the analysis of a time series. You will see that in Table 2 before us, we have recorded in column 2 the sales of a business for the past twenty years. No very characteristic features can be detected from a cursory examination of these figures and it is our task to compute the underlying influences which are at work in this business. Our method is as follows:—

First, we adjust our figures for variations in prices, so as to give us the true volume of business. If we are fortunate, there will be a ready-made basis of comparison of volumes (for example, tons of coal), but, if need be, we can construct a price index over a series of years or we can establish a "unit of sale," then expressing all sales in terms of that unit. Whichever method we use, let us assume our resultant figures to be as shown in column 3 (Volume).

Next, we endeavour to ascertain the general trend of the business, usually by one of the following methods:—

A free-hand graph (either on ordinary chart paper or on log. paper, to which I shall refer later).

Moving averages (usually 3, 5, 7 or 9 years, taking a sufficiently long period to cover the trade cycle).

Various semi-mathematical devices, such as least-squares, compound interest curves, semi-averages or probability paper.

In the example before you, we have taken a nine years' moving average; that is, we have taken the first nine years' figures and have set out the average for that period opposite the middle year, namely year 5.

Lastly, we proceed to deduct our trend figure from the volume figure, the difference representing the influence of cyclical and irregular

fluctuations. This figure can be very useful to us in judging future prospects; thus in Table 2, we see that we are getting periods of intense depression in Years 8 and 18 and probably, therefore, in 27 or 28. Similarly, we are getting a peak of prosperity in Year 12 and probably, therefore, in Years 21 or 22. I should emphasise, however, that the methods employed are largely experimental and require very careful use.

- (3) *In Table 3* I have set out other methods of internal analysis which may have their value upon occasion, particularly if the records are divided departmentally. Some difficulty may be found in making monthly sales comparisons, owing to the fact that some months may be made up of four weeks and others of five. The remedy is, of course, to take the weekly or daily average, dividing each monthly total by the number of weeks or the number of effective days. An alternative method is to work on a year of thirteen periods of twenty-eight days each.

- (4) *The fourth method* deals with the comparison of the sales of our particular business with general trade conditions. The most useful kind of figures here are those which will indicate the probable future trend of our sales; thus, for instance, in the Bank of England Statistical Summary there is a chart of building prospects (i.e., of plans passed by local authorities), which will give some guidance as to future requirements for bricks and sanitary ware, for example. Again, in certain industries it is possible to compare sales for a month or a quarter with the figures for the whole industry, while in almost any business it is possible to make a comparison between sales and general business conditions, our sources being probably the Bank of England Statistical Summary, Board of Trade figures, the detailed figures of "The Economist" Index of Business Activity and the returns of the London and Cambridge Economic Service, the Incorporated Association of Retail Distributors and the Census of Industry. The comparisons may be made by simple graphs, graphs of index numbers, moving averages, percentage deviations from normal or standard deviations: thus in Table 4 I have taken an American example of a large furnishing house, the yearly sales being compared with corrected bank clearings. So much for sales; we turn next to the expenses side of the Profit and Loss Account.

EXPENSES.

The first necessity is, I think, to establish an accurate basis of comparison by arranging the various items functionally. Thus, in a retail business the headings of the Profit and Loss Account may be:—

I. Premises: Rent and Rates.

Repairs.

Heating and Lighting.

II. Sales:

Salaries.

Commission.

Selling Expenses.

- III. *Transport* : Wages.
 Petrol, etc.
- IV. *Office* : Salaries.
 Postages, Stationery, etc.
- V. *Finance* : Bank Interest.
 Discounts.
 Bad Debts.

The insertion of the headings is strongly recommended. By this method we indicate the true function of our various expenses and, incidentally, separate standing and fluctuating charges. In addition it is, of course, necessary that any special or non-recurring expenditure should be distinguished as such.

The principal methods of comparing expenses are as follows :—

- (1) A direct comparison with the figures for the preceding two or more years, (comparison with a single year's figures being obviously misleading.)
- (2) Expenses expressed as a percentage of sales, or as cost per unit.
- (3) Expenses plotted on logarithmic chart paper both to compare rate of change of various expenses items *inter se* and to compare such expenses with sales.
- (4) Gantt charts, used with advantage where it is desired to watch the relationship between monthly budget estimates and actual expenditure.
- (5) Each item may be analysed individually. Thus, the wages analysis may include such items as :—
 Numbers employed in each department.
 Wages in each department stated as percentage of sales.
 Overtime per department ; per worker and per foreman.
 Labour turnover.
 Average wages per employee divided into classes.
 Minutes to serve each customer.

Various interesting attempts are being made to establish control figures for expenses over a whole industry (see, for example, *The Economic Journal*, September, 1929, and the publications of the British Launderers' Federation).

NET PROFIT.

Our last item on the Profit and Loss Account is the net profit for the period and in Table 5 I illustrate a method of criticism sometimes used where there is a complicated and rapidly changing capital structure. Taking Section C as an example, suppose that we are interested in the "A" Preference Shares, we add together the remaining figures in the percentage column (this year 11 plus 27, 8 and 16 = 62 ; last year, 46), *i.e.*, last year we had 46 per cent. of the profit behind our dividend, while this year we have 62 per cent.

In connection with net profits, a question will almost certainly arise as to future prospects and I have therefore added in Table 6 a note for your consideration as to the principal factors determining the trend of future profits. Some of these factors (such as population) are capable of statistical analysis ; others (such as fashion) are not.

BALANCE SHEET.

In Table 7, I submit for discussion a Balance Sheet arrangement in which the salient features are the position of the Profit and Loss account balance and the inclusion of proposed dividends under "Current Liabilities and Provisions." This Balance Sheet form was admirably exemplified in the recently published accounts of the Dunlop Rubber Co. (*The Accountant*, May 12th, 1934). An alternative method of analysis recently suggested by Mr. P. Taggart, F.S.A.A., is that the Balance Sheet should be divided into three sections, viz (a) Fixed Capital ; (b) Trading Capital ; (c) Capital and Funds Reconciliations. Whichever method of analysis is employed, it is important to notice that the Balance Sheet represents the position at a given date and may therefore not be an adequate guide as to the normal position of the business throughout the year, since such items as stocks and liquid resources may be abnormally high, for example.

Let us now proceed to consider the position disclosed in Table 7. A cursory examination shows us that there has been a steady increase in profits for the past three years, while we note that a conservative policy has been pursued as regards dividends. On the face of the accounts there are really few suspicious features, but let us subject the items to a detailed analysis as shown in Table 8. After noting the (unexceptional) rates of gross and net profit, we calculate what I believe to be the most important test of the real position of the business, namely, the rate of profit earned on the *average* total capital employed (Share Capital plus Reserves plus Profit and Loss balance). We see that there has been a disastrous fall here which, you will note, has not been reflected in our next figure, the rate of profit in relation to ordinary capital, the movement having been masked by the large sums retained in Reserves and Profit and Loss Account. The next three items show the reason for this decrease in earning capacity, namely :—

- (a) Average length of credit doubled.
- (b) Stock turnover rate seriously diminished.
- (c) Plant increasing much more rapidly than sales.

The reckless expansion of stock and plant thus indicated has resulted in a deterioration in the liquid position as illustrated in Ratio III.

In the final stage of our analysis we turn to a few representative items on the Balance Sheet, noting the main characteristics to which attention may be given.

- | | |
|------------------------|---|
| <i>Share Capital</i> : | "Gearing" ; past issue of bonus shares ; terms of repayment ; voting rights. |
| <i>Loan Capital</i> : | Average rate of interest ; terms of repayment. |
| <i>Machinery</i> : | Age of plant ; rate of depreciation. |
| <i>Investments</i> : | Analysis : average yield per cent. in each class ; uncalled liability. |
| <i>Debtors</i> : | Trial balance with three columns for debts not overdue, overdue up to three months and overdue beyond three months, respectively. |

Hire Purchase

Debtors : Adequacy of working capital.

Stock : Graphs may be drawn showing
(a) monthly stocks and sales, or
(b) monthly sales and purchases.

Bank and Cash Balances : A chart may be drawn showing the total cash resources at monthly intervals as a guide in connection with capital developments, hire-purchase contracts, credit policy, stocking and dividend dates.

Adequacy of Working Capital : In Table 9 is illustrated a simple method of watching this point.

RECOMMENDATIONS.

Finally, I submit four practical recommendations for your consideration :—

- (1) It is worth our while as practising Incorporated Accountants to keep in touch with statistical information, such as is given in the Bank of England Statistical Summary, *The Economist*, and the Journals of the Royal Economic Society and the Royal Statistical Society.
- (2) Most small businesses would do well to keep a special bound Statistics Book, showing the salient features over a long period of years, in some of the directions indicated above.
- (3) Where an accountant is meeting directors monthly (as, for example, when he is secretary of a small company) it may be well to concentrate upon one special aspect of the available data each month, so arranging the programme that the whole field is covered during the year. I have suggested a specimen time-table in Table 10.
- (4) In general, statistics should be accompanied by a report pointing out the main lessons to be drawn. Over-elaboration of method should be rigorously avoided and only information of direct practical importance should be presented. To quote a leading authority, "In the last resort, the value of statistics depends entirely upon the use that can be made of them."

TABLE 1.—SALES : Recording of Monthly Totals. ("Z" Chart).

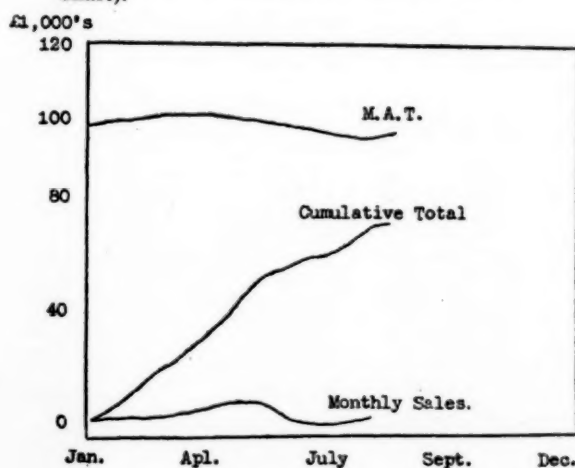


TABLE 2.—SALES : Analysis.

Year	Value.	Volume.	Trend (9 year moving av.)	Cyclical and Irregular Fluctuations.
1	£100	100		
2	120	122		
3	114	116		
4	104	109		
5	95	100		
6	93	98	103	— 3
7	91	97	104	— 6
8	83	90	105	— 8
9	87	95	106	— 16 L
10	99	109	107	— 12
11	110	121	108	+ 1
12	123	135	109	+ 12
13	105	118	110	+ 25 H
14	94	109	111	+ 7
15	91	107	110	— 1
16	90	106	110	— 3
17	82	99	109	— 3
18	66	86	(109)	— 10
19	75	100	(110)	— 24 L
20	96	121	(111)	— 10
				+ 10

TABLE 3.—SALES : Other Methods of Analysis.

By commodities or lines.

By geographical districts (e.g., in relation to population.)

Amount of average purchase by customers.

Sales per employee, per van, etc.

Average turnover per account.

New accounts opened and old accounts closed.

Changes in price of standard articles.

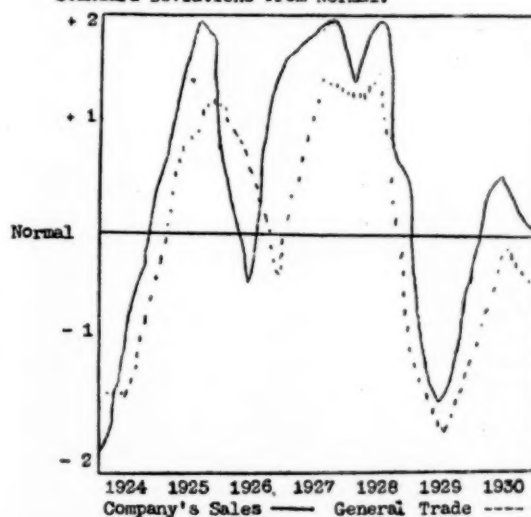
Effect on demand of changes in selling price.

Outstanding (unfulfilled) orders at end of each month.

Correlation between special advertising and sales.

TABLE 4.—SALES : Comparison with General Trade Conditions.

Standard Deviations from Normal.



Other methods include simple graphs, graphs of index numbers, moving averages, and percentage deviations from normal.

TABLE 5.—NET PROFIT.

A. *Trend of Normal Net Profits.*

Year.	Increase. £	Decrease. £	Remarks.
1928	2,002		(£11,160)
29	680		
30		820	
31		8,160	
32		762	
33	800		
34	1,176		(£4,074)

B. *Earnings on Capital.*

	Ordinary Earned.	Dividend Paid,	Earnings on Total Capital Employed.
1928	11%	10%	16%
29	12	10	17
30	11	10	14
31	3	Nil.	4
32	2	2	3
33	3	2	3
34	4	3	5

C. *Distribution of Net Profit.*

	This Year.	Last Year.
First Debentures ..	14% of Profits.	20% of Profits.
Second do. ..	12	17

Table 5 continued.

	This Year. 12% of Profits	Last Year. 17% of Profits.
A. Preference Shares	11	15
B. do. ..	27	25
Ordinary Shares ..	8	—
Deferred do. ..	—	—
To Reserve ..	16	6
Added to Carry Forward ..	100%	100%

TABLE 6.—Some Factors Affecting Future Profits.

A. *Controllable.*

Management and staff.
Plant efficiency; Expenses ratio.
Adequacy of Premises.
Extent of markets: Advertising policy.
Capital structure and supply of capital: growth of Reserves.

B. *Uncontrollable (relatively).*

General trade conditions: Population changes: purchasing power; Fashion; Tariffs, etc.; Interest rates.
Materials (supply and price).
Expiring assets and patents.
Competition: substitutes.

TABLE 7.—Balance Sheet Arrangement.

LIABILITIES.				ASSETS.			
Year.				Year.			
1				1			
2				2			
3				3			
£				£			
I. SHARE CAPITAL.				I. FIXED ASSETS.			
Ordinary Shares ..	100	100	100	Plant	75	100	120
II. RESERVES.				II. INVESTMENTS.			
a. General	—	8	18	Subsidiaries ..	50	50	50
b. Specific	—	5	10	III. CURRENT ASSETS.			
III. PROFIT AND LOSS A/c.	19	25	27	Stock	10	15	20
IV. DEBENTURES.	119	138	155	Debtors	22	32	45
V. CURRENT LIABILITIES				Bank	18	8	10
AND PROVISIONS.							
Creditors	46	54	73				
Proposed Dividend	6	7	10				
Tax Reserve	4	6	7				
VI. CONTINGENT LIABILITIES.							
	£175	£205	£245		£175	£205	£245
P. & L. Sales	£200	£204	£208				
Net Profit	25	26	27				
Dividend	6%	7%	10%				

'000s omitted.

TABLE 8.—Balance Sheet Ratios.

				1.	Year. 2.	3.
I. EARNINGS. Gross Profit %				33.0	33.0	33.0
Net Profit %				12.5	12.5	12.5
On Total Capital employed (%)				22.9	20.3	18.4
On Ordinary Capital (%)				25.0	26.0	27.0
II. SALES RATIOS. To Debtors (av. credit)				1.0 mths.	1.5 mths.	2.0 mths.
Av. Stock (turnover)				25 times	18 times	15 times
Plant				4.0	2.5	2.3
Total Capital employed				1.8	1.7	1.7
III. FINANCIAL POSITION. Current Liabilities covered by						
Current Assets				89.3%	82.1%	80.3%

TABLE 9.—*Development Budget (Small Business).*

	Year.		
	1	2	3
I. <i>Normal Increase in Cash Resources through Profits.</i>			
Add Depreciation			
Deduct Income Tax			
Dividends			
II. <i>Present Commitments.</i>			
Hire-purchase instalments			
Increased Credit to Debtors.			
Additional Stock			
Repayment of Bank Overdraft.			
Replacement of Plant, Vans, etc.			
III. <i>Suggested Essential Developments.</i>			
Machinery, Plant, Buildings, etc.			
IV. <i>Balance: Surplus for development,</i>			
or			
Deficit to be met by Bank Overdraft, new Capital, extended Credit, etc. (subject to opening Surplus or Deficit.)			

TABLE 10.—*Statistics for Monthly Board Meetings.*

At all Meetings : Monthly Profit and Loss Account.	
Cash Statement.	
Sales Chart ("Z" Curve—Table 1.)	
Meeting 1.	Annual Report and Accounts. Ratios. (Tables 7 and 8).
2.	Development Budget. (9).
3.	Expenses in relation to Sales on log. paper.
4.	Sales Analysis. (3)
5.	Sales Analysis. (2) or Stock Turnover.
6.	Sales in relation to general trade conditions. (4).
7.	Half-yearly Accounts.
8.	Debtors' Analysis.
9.	Sales and Stock Graphs.
10.	Sales Analysis (3).
11.	Plant Register Analysis.
12.	Sales Analysis (3).

Discussion on Mr. Rhodes' and Mr. Bertram Nelson's Lectures.

In opening the discussion Mr. W. J. BUSSCHAU, M.Com., said: I take it that three main questions arise: (a) to what extent is the weapon of statistical interpretation part of the ideal accountant's equipment; (b) what are the possibilities or limits of employing the method with the available data, and (c) how can the structure of these weapons be improved, their range of use increased, and the data enlarged so as to render them more effective? Dr. Rhodes' paper dealt with the second question and Mr. Nelson's is a bold attempt to answer the first.

Mr. Nelson has very clearly shown the utility of the Z Chart, and with the simplicity of its construction and its applicability to varied enterprises, it is surprising that its use is not more general. Mr. Nelson has perhaps not stressed severely enough the dangers of placing too much reliance on the results showing cyclical and economic fluctuations of prices by finding trends. The use of time series (removing trends) to give future forecasts appears to me to be a method involving considerable dangers of miscalculation, even in the hands of relatively expert persons, and the determination of the inter-relationship of demand and prices on volume of sales is much more complex. The experience of the past is always dangerous as a basis for future action.

Mr. Nelson's demand for a more scientific balance sheet lay-out is gratifying, and his insistence on the importance of relating the yield of the investment to the total (and not the ordinary share) capital employed, is very timely. I am sure, too, that his clear exposition of the importance of ratio comparisons will prove very valuable.

And now I must return to my fundamental questions. You will remember that Sir Josiah Stamp, addressing a Conference of the Society in 1921, made what he called "a serious indictment of accountants" in that scientific accounting has not yet "made a substantial contribution to economic science over its own field of the analysis of results of industries, although it has practically a monopoly grip of the required data." That criticism has received widespread publicity, but in my mind it seems to depend for validity on the assumption that accountants' observations of economic activity must be of such a nature and in such a form as to enable those to be used as the foundations for the building of theories (in the sense of explanations) of industrial and business fluctuations. It appears that a definition of the whole function of the accountant must be reconsidered. Is the accountant merely to gather data, to photograph, as it were, the position of the economic trend of events at various points in time, or is he to determine also the movement of this economic process? If his duty is confined merely to the first, that is, the static analysis, then the charge against him cannot be very grave, but if he is also to measure economic changes, that is, a dynamic analysis, then, as the only detached and disinterested close observer, he is not contributing his share to economic knowledge.

We have all heard that oft-repeated statement that our present troubles arise from the fact that administrative ability has lagged behind scientific progress, and with the misery of the unemployed in the background there are ethical considerations which cannot be overlooked.

As Mr. Nelson has insisted, "the value of statistics depends entirely on the use that can be made of them." The whole aim of the professional accountant, economist and statistician is to obtain scientific control over the material on which observations are based, and together with a need to define their respective functions is the need to arrange co-operation between them. How far then can the accountant, by employing statistical methods, obtain scientific control over the special observations of his field? Mr. Nelson's is an interesting survey of some of these possibilities.

The practical difficulty is that with the existing data there are very definite limits within which statistical methods may be employed. But more important are the limitations imposed on the value of a statistical analysis by its applications to single firms only, and by the absence of comparison with the results of similar business in, or the average of, homogeneous groups. The accountant, as a scientific observer and as an investigator, must have comparative data to work with; isolated measurements of rates of change in costs, and of volumes of sales and prices, have a very limited value unless comparative data exist. We need to know what are the experiences of similar firms which fall within the same class interval. If such figures are obtainable, then and then only can significant conclusions be drawn. The first task is to collect the data and to prepare therefrom the required statistics. It may be objected that this information is not available—that I admit is a grave difficulty, but it can be and has been overcome. There are two main difficulties: (a) the confidential nature of the information, and (b) the difficulty of preserving anonymity. To give you a concrete and practical example, the Incorporated Association of Retail Distributors, the Bank of England and the London School of Economics in collaboration, have for the past two years made studies of annual operating costs of department stores. By the use of the Bank of England, as an intermediary, complete anonymity of the source of information is preserved and all objection as to the confidential nature of the information collected has fallen away.

Competitive conditions in industry tend to set up standards in the efficiency of the use of capital, and to

set up normal ratios of costs to earnings. The determination of these standards is important if we are to obtain a clear view of the efficiency, the progress and the decay of business.

The whole subject is a vast one, and by its very nature difficult to handle in a short discussion, but it is too important to be discarded here after a somewhat cursory treatment. Detailed and definite answers to the three fundamental questions must be found.

Mr. N. F. PENNINGTON: In dealing with the data relating to a single business unit, particularly in the types of time series mentioned by Mr. Bertram Nelson in his lecture, I fear an important link has been overlooked. In comparing figures with general trade conditions, or in using indices of general business activity in forecasting future tendencies, it is necessary to know:—

(1) The relation of the particular trade or industry to general trade conditions; and

(2) The relation of that individual business to that of the trade.

A comparison of the results of a business with those of the trade concerned is of a homogeneous character, as pointed out by Mr. Busschau, but to compare direct with general trade conditions as in Table 4 is of doubtful utility. The index figures of general business activity are only indications of general conditions, and the inference to be drawn is not that all trades are tending in that direction. To the extent that a particular trade varies from general conditions the indices are misleading. When general conditions are improving, some trades are affected earlier and some later, and some may even show a downward tendency. I am, therefore, led to the conclusion that general business statistics are of little value to a single business unit unless accompanied by statistics relating to the trade concerned. The amount of business secured by an industry and its trend is of much greater value in determining whether to lay down further plant, than can be gleaned from general conditions. An efficient firm may show an increased turnover in successive years, but if the trade as a whole is on a decline it is improbable that the increase will be maintained. One could enlarge on this matter at length, and I believe that the various trade associations which exist for the principal trades and industries are a most suitable unit for constructing a body of information relating to their own trade, so that members may make a direct and homogeneous comparison of their results. These associations hold in their hands, if they are wise enough to use it, a weapon which is capable of wielding a large influence upon the individual uses of statistics in business planning.

Mr. E. E. FRANKS: Following on Mr. Busschau's reference to Professor Plant's scheme for the collection of comparative data of annual operating costs in relation to departmental stores, I should like to give more detailed information. The necessity for complete anonymity has been stressed and this has been obtained by using the Bank of England as an intermediary between the members of the Incorporated Association of Retail Distributors and the investigator.

The scheme is briefly as follows:—

(1) A questionnaire has been prepared by a committee of accountants, departmental heads, &c., carefully analysing the required data under the two main heads of Trading and Expenses, each of which is divided into two broad categories of "Impersonal" and "Personal." The "Impersonal" category includes all the expenses other than pay-roll which can be allocated to each of the five main headings—Administrative, Occupancy, Publicity, Merchandising, Despatch. The "Personal" category includes nothing but salaries and wages, including National Insurance contributions where paid. The first main head gives then the analysis of the usual trading account, arriving at totals of net sales, net cost of goods sold, and hence the gross profit. The usual difficulties encountered in costing systems arise under the second head in attempting to gain uniformity among businesses with different financial organisations. For example, the item "Rent" in the schedule comprises an arbitrary figure representing the gross Schedule A assessment on

all properties used in the operation of the business, less rents received from any part of such premises that have been sublet. Then, too, all interest, whether debit or credit, is omitted as well as all non-trading income such as dividends from investments and subsidiary companies, &c.

(2) The form is sent out by the Association of Retail Distributors, who give it a code number. The retailer receives this and completes the form, giving no indication of identity, and forwards it to the Statistical Section of the Bank of England. The retailer, however, is asked to state on the form:—

(a) The class of trade done, whether (i) high or (ii) medium or low.

It has rightly been considered necessary to group "medium and low," as few, if any, firms would admit to a purely "low" class trade. Harrods would fall under first section, Selfridges under second.

(b) Ratio of cash to credit business. Cash percentage of total.

(c) Total staff, male or female.

(3) The Bank of England, upon receiving the form, detaches the Association's code mark and gives it a Bank of England code number, and it is then forwarded to the investigator, who, beyond the knowledge of the Bank's code number, has not the slightest inkling of the identity of the subscriber.

(4) The figures are then summarised and added, averaged, collated and grouped. The grouping takes a number of forms:—

(a) Geographical. Results for London and other regional groups for whom certain items of expenditure such as "Despatch" would have a special significance.

(b) According to volume, with class intervals giving turnover.

(c) According to two classes, high or medium, low.

(d) According to size of capital employed.

(e) According to number of workpeople with further sub-division into male and female.

(5) Queries can be addressed to the suppliers of information. The investigator writes to the Bank of England code number. The Bank then, by cross-reference, finds the Association's code number and the supplier of information is reached by this indirect method. It necessarily involves some delay in correspondence, but complete anonymity is preserved throughout.

(6) The figures in their final form are then made available to members of the Incorporated Association of Retail Distributors and are accompanied by a general report pointing out the main lessons to be learned, the limitations of some figures, the inferences which can be drawn from the frequency distribution, &c. Already very valuable results have been obtained. The reports are framed in such a way that readers unacquainted with statistical terms can understand them; for example, the median is described as the "middle firm." Competitive conditions in industry tend to set up standards in the efficiency of the several firms, and by this scheme the trader is enabled to compare his trading operations with other firms falling within the same class or particular group. For instance, he has been lulled into a false sense of security on observing certain of his costs of production falling, being unaware that the general rate of decrease is considerably greater. It is necessary to add that the class interval must not be made so small that it may become possible to find by elaborate calculation the results of competitive firms, but if the number is above, say, five, even this danger disappears. While there was some difficulty at the beginning, information is now freely given and actually Prof. Plant is now to be allowed to write scientific articles on the results obtained. There is no reason why the scheme should not be extended to all classes of business endeavour, and as the accountant's help and advice in compiling and analysing the sources of information are so important, the Society might well extend its functions for the purposes of co-operation in this field of investigation.

On Friday, July 6th, a Discussion on

COMPANY RECONSTRUCTIONS

WAS OPENED BY

MR. HENRY MORGAN, F.S.A.A.

Chairman: Mr. R. Wilson Bartlett, J.P., F.S.A.A.,
Vice-President of the Society.

Mr. MORGAN said: "Company reconstructions" is a wide subject, and it is impossible to deal with it exhaustively within the time available for opening this discussion. I do not propose to enumerate the many circumstances under which reconstruction of a company may be necessary, nor to specify the various requirements to be observed and the general procedure necessary in carrying through the reconstruction of a company. My remarks will therefore be brief, and I intend only to touch upon a few general aspects of the subject in the light of company reconstructions during recent years.

Company reconstructions may involve the sale of the undertaking to a new company, but the term may also be taken to cover schemes for reduction and reorganisation of capital, and in some cases schemes of arrangement with creditors or debenture-holders. Schemes for reduction of capital or arrangements with creditors must generally be approved by the Court, but before the application to the Court is heard, meetings of shareholders, creditors or debenture-holders must be held, and resolutions must be passed by the requisite majority, as provided by the company's Articles of Association or by the Companies Act.

During the last few years succeeding the speculative boom in 1928 and 1929, and as a result of the intense world-wide depression in trade combined with the departure of this country from the gold standard, schemes for reconstruction or reorganisation of capital have been numerous; in fact, such schemes have recently been a feature of public company practice. These schemes have involved writing off enormous, indeed fabulous, amounts of capital. Many of them have aroused intense public interest, not only by reason of the enormous amounts involved, but on account of the violent opposition of shareholders whose interests have been affected. Lengthy and expensive litigation has frequently ensued, and, in my opinion, it is not surprising, for in many cases it is difficult to appreciate any sound justification for the inequitable treatment of different classes of shareholders or creditors. It is not too much to say that numerous schemes in recent years have served to dispel many illusions held by the investing public. For instance, holders of preference shares who have been induced to subscribe on the faith of a prospectus which states that such preference shares are preferential both as to dividend and capital naturally believe that some security is afforded, and that the capital of the ordinary shareholders would have to be exhausted before the preference dividend could be affected or the capital value of the preference shares encroached upon. Schemes of reconstruction have shown conclusively that no such security or assurance exists. Many instances have occurred where prefer-

ence shares have been drastically cut down, both in regard to dividend and capital value, whilst a substantial interest is still reserved to the ordinary shareholders. Violent opposition on the part of preference shareholders to schemes such as these is not to be wondered at, and yet, when meetings of the different classes of shareholders are held in order to pass the resolutions which are necessary to the carrying through of these schemes, such resolutions are generally passed by the three-fourths majority required to pass special or extraordinary resolutions.

You may ask how it is possible for these unfair schemes to be forced through in face of violent opposition on the part of shareholders whose interests are so greatly affected. The answer is that the carrying through of such schemes is rendered possible by the ineffective and out-of-date provisions of the Companies Act which does not provide shareholders with a proper or fair method of recording their approval or otherwise of the proposals submitted to them. The development of joint stock companies during the present century has been so rapid and the numbers of shareholders in public companies have so greatly increased, that a meeting of shareholders and the taking of a poll thereat is grossly unfair and quite useless and ineffective as a means of enabling shareholders to give expression to their views. Not infrequently cases have occurred where meetings have been held in halls physically incapable of accommodating the shareholders endeavouring to gain admission, and when the poll is taken it takes place amidst scenes of rowdiness and tumult. It is almost incredible that under circumstances such as these, resolutions can be passed which gravely affect the interests of the shareholders concerned. It is astounding, but none the less a fact, that polls upon resolutions vitally important to shareholders, generally represent only a ridiculously small proportion of the total shares. The reason is that whilst shareholders are provided with every facility for recording approval of resolutions submitted by the Board, the Companies Act provides no effective or ready method for shareholders to record their disapproval. Shareholders generally are at a loss as to how they can take steps to oppose directors' proposals. The fact is that the proxy system of 1862, which has never been altered, is out-of-date, and entirely unsuited to the altered conditions and requirements of the present time.

The question therefore arises as to how these serious abuses in connection with reconstruction schemes are to be cured; how shareholders are to be provided with a simple and equitable method, at present denied them, of exercising their right of voting *against*, as easily as *in favour of*, the proposals submitted to them by directors. What is so urgently necessary is amendment of the Companies Act, for which, beyond question, there is a strong demand. Most of you will be aware of the numerous and continuous questions in the House of Commons, urging action by the Government, and the views of shareholders generally can readily be gathered from the columns of financial journals and the daily press.

One of the most significant efforts to secure amendment of the law emanated from the Association of British Chambers of Commerce, which constituted a Committee to consider and report as to what amendments of the law were necessary. This Committee included representatives, many of them accountants, from the Chambers of Commerce of the largest towns in the United Kingdom. The report of that Committee, which was unanimously adopted by the Council of the Association of British Chambers of Commerce, was published about twelve months ago. Prior to this, there was the report of the Council of our own Society in regard to balance sheets and accounts, which also urged amendment of the law. On the subject of voting rights, the following extract from a letter from the Association of British Chambers of Commerce signed by the Secretary and addressed to the President of the Board of Trade within the last month, is of interest:—

"I am to add that recent events and cases in the Courts have shown the uselessness of a general meeting with the current practice in regard to proxies, as a means of ascertaining the views of shareholders upon proposals affecting their interests. The growth in the size of companies and the increase in the numbers of the shareholders necessitate new provisions to ensure that shareholders are provided with a reasonably effective method of recording their approval or otherwise of schemes and proposals submitted to them. Ample evidence in this connection can be obtained from the observations of learned Judges in cases which have come before the Courts.

"In the opinion of my Council, therefore, it is essential that the Companies Act of 1929 should be amended, and they urge that steps may be taken forthwith."

This is the view expressed by the Council of an important body representative of every class of industry and commerce throughout the Kingdom. Can you imagine a more complete answer to those who oppose amendment of the law, when they put forward the argument that new provisions to ensure true, correct and reliable balance sheets and accounts would be seriously detrimental to the interests of industry and commerce?

There is some opposition to amendment of the law, I admit, but what to me is so surprising is the opposition by certain members of our own profession. We have been called the "watchdogs of commerce," and we would believe that the investing public regard us as the guardians of shareholders' interests. No class can be more fully aware than accountants of the unsatisfactory features and grave abuses in connection with company practice during recent years, and surely from our own profession we should expect to see support for the efforts made to remedy the defects in the law as at present existing.

With regard to the exercise of voting rights, especially in connection with company reconstruction schemes, I maintain that the only fair and satisfactory method to meet the conditions of the present day

must be on the lines of a referendum. This could readily be provided by the issue to shareholders of a simple voting paper to enable them to vote either for or against the resolutions submitted to them. If, however, it be considered necessary to retain some sort of proxy system, then the ordinary proxy form should be altered so as to enable it to be used for voting *against* specified resolutions with a clear indication to shareholders that it can be so used. The existing practice by which directors issue to shareholders, *at the expense of the company*, forms of proxy which provide for voting only one way, cannot be defended.

Although not part of their everyday work, there will be few practising accountants who from time to time are not required to advise or assist in formulating company reconstruction and capital reorganisation schemes. The accountant can, and should, play a very important part—in my opinion, a very much greater part than he does at present—not only in advising upon schemes, but in investigating the causes of the losses which have rendered reconstruction or reorganisation necessary.

Here I come to what I consider should be one of the most important considerations in connection with reconstruction schemes, and that is to ensure that all possible and proper steps are taken to prevent losses incurred or disasters suffered in the past from being repeated in the future. Losses may have arisen from causes entirely beyond the control of the board and management, but all too frequently they result from inefficiency and mistakes on the part of the administration and management of the company. The law provides that when the directors of a company present to their shareholders their annual accounts, an auditor, regarded as independent, has to examine and check the books and accounts, and to report to the shareholders on every balance sheet submitted to them. If directors of a company issue a prospectus which contains statements that are untrue or misleading, they render themselves liable to a very heavy liability to those shareholders who may have subscribed on the faith thereof. On the other hand, however, when shareholders are asked to consent to a scheme which may impose upon them a most serious sacrifice by the writing off of capital or curtailment of their rights, there is no legal provision for an independent examination and report upon the causes that have rendered reconstruction necessary, but shareholders have to rely upon the *ex parte* statement of the very persons whose actions and conduct of the business may be open to the gravest criticism or may even have been the cause of the company's misfortunes; and, moreover, the directors do not run the risk, as they would do in the case of a prospectus, of personal liability to shareholders whose support to the scheme may have been obtained by reason of any untrue or incorrect statement. As we know, occasionally shareholders are able to obtain the appointment of a committee of investigation, which committee usually has the advantage of the services of a professional accountant. In my view, such investigations almost invariably operate to the

benefit of the shareholders, but as a general rule directors are able to avoid investigation and to force through reconstruction schemes in face of strong opposition entirely by reason of the inability of shareholders to exercise their voting power, with the result that mistakes and weaknesses which existed in the past still continue in the future.

Some of you may think that these abstruse questions as to amendment of the law do not greatly concern the young qualified accountant, for whose benefit this course has been specially arranged, but let me say in conclusion that the need for amendment to meet the altered conditions of the present time cannot be ignored by any Incorporated Accountant who has the best interests of his profession at heart.

Group Discussions on Mr. Morgan's Lecture.

The point was made that directors should notify all shareholders that a poll was taking place, and should provide voting papers on which they could register definitely, assent or dissent. The proxy system now in use gave opportunities for stage management of meetings. Moreover, the votes actually cast were only a small percentage of the total votes, and many who wished to vote had no real opportunity of signifying their views. Directors would not go beyond the minimum requirements of the law, and it was difficult for accountants to secure the observance of anything more than the minimum. As regards preference shareholders, views were strongly expressed that a modification of shareholders' rights should not be forced upon them. Respecting proxies, the point was raised whether it should be laid down in Articles of Association that a person holding a proxy should be a member of the company. The opinion seemed to be that this would be desirable. The Lecturer stressed the importance of the need for the shareholder's proxy to the chairman being in the form of an assent or dissent to a reconstruction scheme.

In one group the interesting suggestion was made that when a reconstruction scheme had been proposed there should be a meeting of shareholders who would have power to appoint a consulting accountant, who would not necessarily be the company's auditor. He would be instructed to inspect the company's books with the assistance of an advisory committee of shareholders. A report by this accountant with the directors' notes thereon and voting papers should be sent to all shareholders.

A suggestion was made that the next committee which considered the reform of the Companies Act should consider the question of shares of no par value. A further suggestion was that a file containing particulars of all reconstruction schemes published in the financial papers might be kept at Incorporated Accountants' Hall.

One member expressed the view that schemes originating through loss of capital could generally be traced to inefficient management. It was necessary for company directorships to be put on the basis of a profession, and for greater regard to be had to directors' qualifications.

Another speaker referred to the lack of proper organisation to protect minority shareholders when reconstruction schemes were being considered. A suggestion was made that before a reconstruction scheme was considered by the shareholders, application should be made to the Board of Trade for an independent accountant to be nominated from a panel kept specially for this purpose, and that such accountant should investigate and report to the directors on the causes which had led to the reconstruction scheme. Such accountant should be asked to express an opinion whether it would not be more advantageous from the shareholders' standpoint, for the company to be wound up. If the scheme were proceeded with, the independent accountant's report should be circulated to the shareholders, together with the proposed scheme.

With regard to the position of the unsecured creditor who had supplied goods to a company after it had issued

a debenture and before such debenture had been registered or published in the trade papers, it was recommended that the period in which the directors had to register the debenture at Somerset House should be reduced to seven days, and that the registration of the debenture should be published in the *London Gazette*. It was considered that the trade papers would then take it up with the result that the fact of a registration of a debenture would be known to the trading public within ten days or so of its issue, instead of thirty days as at present.

Following on this point, it was suggested that personal liability should attach to the directors for all goods ordered by them between the date of the issue of the debenture and the date of its registration, where, by reason of a receivership immediately following, such creditors became unsecured creditors of the company and were estopped by the appointment of a receiver from participating in the realisation of the company's assets.

The suggestion put forward by the Lecturer of a referendum instead of proxies, which in effect only gave the power to vote one way or abstain from voting, was warmly welcomed.

The Lecturer explained in reply to queries that when an application for reconstruction came before the Court, any shareholder, though he held only one share, could appear before the Court to oppose the petition. A shareholder, if not represented by counsel, could himself cross-examine witnesses and address the Court.

Then followed an Address on

STAFF TRAINING AND STAFF ORGANISATION, INCLUDING THE ETIQUETTE OF THE PROFESSION

BY

Sir THOMAS KEENS, D.L., F.S.A.A.

Chairman: Mr. Percy Toothill, F.S.A.A.

Sir Thomas Keens referred to the principal's responsibility for the acts, both of commission and omission, of his clerks. Amongst the objects of staff training and organisation were the promotion of the most efficient service of the firm as a whole to its various clients, the smooth running of the firm's work both as regards principals and clerks, the training of juniors in the work of the profession, and securing a succession of the right type of men for positions of responsibility to provide for the continuity of the firm's practice and the enhancement of the public estimation of Incorporated Accountants.

Staff training could normally be approached by considering the training of articled clerks. It had to be remembered, however, that the profession could not subsist solely on articled clerks and those who qualified by service under articles. A valuable part of the personnel of the accountancy profession was made up of those who qualified without articles, and for whom provision was made in the Society's regulations by means of a long period of training and passing the examinations. With regard to the relations between the principal and his articled clerk, the principal covenanted to instruct, or cause to be instructed, the articled clerk in the practice of the profession of an accountant. Of course, a principal did not usually teach in the ordinary sense of the term. He provided facilities for obtaining the necessary experience, as well as definite supervision over his clerk's activities. In the case of his own firm, he tried to see that articled clerks had an opportunity during the term of articles, of obtaining

direct experience of all the kinds of business which passed through the office. It was not always possible to carry out in practice this ideal system, as regard must be had to pressure of work at certain times of the year.

AUDIT WORK.

He favoured the group system for audit work. An audit "team" would consist of one senior, one semi-senior and two or more clerks working together for the carrying-out of a group of audits of which the senior would be in charge.

As regards secretarial work, this should be allotted to particular clerks under the control of the managing clerk. The clerks should be responsible for seeing that notices of meetings were properly issued, reports written up, returns made and the various details carried out.

With regard to recruitment of staff, he favoured a system of training juniors for responsible positions rather than introducing fresh personnel from outside. He considered that there were many advantages obtained by articled clerks who were trained in offices of medium size, large enough for a wide variety of business, yet not so large as to make it impossible for the principal to take a personal interest in his clerks. It was important that clerks should become acquainted with modern methods, including appliances for mechanical accounting. Success in the profession ultimately depended upon the character and personality of the individual. The good qualities developed by an articled clerk were the qualities which in the long run made for success in public practice.

PROFESSIONAL ETIQUETTE.

Although there was no written code of etiquette, the Society of Incorporated Accountants had from time to time made certain recommendations. There was also an excellent code drawn up by the American Institute of Accountants, and Mr. Richardson's book on Etiquette was worthy of study.

One or two recommendations made by the Society of Incorporated Accountants for the guidance of members were quoted. In order to maintain the highest standard of professional etiquette, it was necessary to maintain a Disciplinary Committee to deal with complaints. Happily there were very few cases for the Committee to deal with.

Reference was made to the formation of a Consultative Committee by the Liverpool District Society, an example which had been followed by the Natal Committee of Incorporated Accountants. During the year ended March 31st, 1934, seventeen cases of a wide variety, covering professional points and technical matters, had been dealt with by the Liverpool Consultative Committee. It was to be hoped that Consultative Committees would be formed by other District Societies.

In conclusion Sir Thomas Keens laid down four tests for the guidance of members :—

1. Is the proposed conduct likely to bring the slightest discredit to, or criticism of, the prac-

itioner on the part of other members of the profession ?

2. Is it likely to prejudice the client ?
3. Is there a possibility that it will damage the dignity of the profession or the prestige of the Society ?
4. Would it be prejudicial to fellow practitioners or have a bad professional influence ?

Group Discussions on Sir Thomas Keens' Address.

In the discussions on this address many interesting points of professional experience were related. Several members mentioned the proposal to establish a system for interchanging articled clerks so that wider experience could be gained, and it was suggested that the Council might encourage such a system. It was explained, however, that although such interchanges might be arranged by personal negotiation, with great advantage to articled clerks and also to principals, it was almost impossible for the Council of the Society to arrange for an official interchange.

Many questions of professional etiquette were discussed, and several members raised the question of the unfair advantage obtained by unqualified practitioners who could advertise with impunity. On the other hand, attention was drawn to the fact that membership of the Society gave very great advantages which were denied to others. An accountant could not expect to have the advantages of membership of a professional body unless he was prepared to adhere to its code of professional etiquette.

DINNER IN THE HALL OF GONVILLE AND CAIUS COLLEGE.

By kind permission of the Master and Fellows, a Dinner was given in the Hall of Gonville and Caius College on Friday, July 6th. The President occupied the chair and the following guests were entertained :—The Vice-Chancellor of the University of Cambridge (the Master of Gonville and Caius), His Worship the Mayor of Cambridge (Councillor A. A. Spalding, J.P.), the Recorder of Cambridge (Mr. Roland Burrows, K.C.), Dr. Arnold D. McNair, C.B.E. (Caius), Mr. W. S. Thatcher (Censor, Fitzwilliam House), Mr. E. P. Weller (Caius), Mr. Donald Portway (St. Catherine's), Dr. Clement Gatley, Mr. J. Stirland, Miss A. Bradbury, Mr. A. H. Wooll, A.S.A.A., County Accountant ; Mr. A. G. Emburey, A.S.A.A., Borough Treasurer ; Major G. MacLeod Ross, M.C., R.E., the Rev. J. R. Pridie, Mr. W. J. Busschau, and Mr. F. Claude Goodwin.

The PRESIDENT briefly proposed the toast of "The Guests." He said there was no formal toast list, but he took the opportunity to extend a welcome to all the guests, who included the Vice-Chancellor of the University and the Mayor of Cambridge. It was a source of great satisfaction to all of them that this educational endeavour upon which they had embarked had enlisted the personal interest of the Vice-Chancellor, whose presence at their opening meeting and that night afforded them exceptional pleasure and stimulation. (Applause.) Amid many calls upon his time, and after the end of term, he had arranged to be with them. To the Chief Magistrate of the

Borough the President expressed their appreciation of the amenities of Cambridge, which they had enjoyed so much. Their cars had been parked with the utmost convenience to themselves, upon which he congratulated the Mayor, and, as far as he knew, none of them had yet received the hospitality of the police. (Laughter.) This was the first time that a Course of this description had been held in their profession. It was educational in its purpose and they had worked hard in the mornings and enjoyed recreation in the afternoons. The Course started as an experiment and it had become a brilliant success. But that success was made possible by the readiness and kindness of the Master and Fellows of Caius in placing at their disposal the entire facilities of the College. (Applause.) For most of them it was a new and delightful experience to enjoy the life of a college if only for a few days, and they would take away with them a lasting impression of the joys of Cambridge and all that had been done for them. He wished to mention the good offices of the Bursar, Mr. Weller, in regard to the preliminary arrangements, and the labours of Miss Bradbury in arranging for their reception and comfort. The Society of Incorporated Accountants appreciated education as a vital factor in the profession accountancy. They had given much attention to that work, mostly through their District Societies, but this Course had given the younger members the opportunity for a concerted effort to consolidate their experience and knowledge, as a supplement to the studies in previous years in connection with the Society's examinations. In doing so they had the great advantage of the University atmosphere. He was confident of the favourable repercussions of the Course upon the whole of the 6,000 members of the Society in all parts of the world, and he was glad to know that among the members of the Course there were three from South Africa, one of whom was a Rhodes scholar. The charm of dining in that hall had been increased by the kindly thought of the Master in permitting the College silver to be used. They had almost begun to forget that such a thing as an office existed—(laughter)—but they would return to their professional work refreshed in mind by the charming and compelling hospitality which Cambridge and particularly Caius College had extended to them. He coupled with the toast of "The Guests" the names of the Vice-Chancellor and the Mayor of Cambridge.

The VICE-CHANCELLOR, who upon rising to reply was cordially greeted, said that on behalf of all the guests he thanked them for their hospitality. He expressed his sympathetic interest in the purpose of their Course, which he hoped would have most satisfactory results. He was conscious of the increasingly important part which their profession had come to play in the affairs of modern life. Its precepts and practice had not left unaffected University administration, the personnel of which now comprised a Treasurer and an Assistant Treasurer, responsible for University finance. At one time University finance was a personal duty of the Vice-Chancellor, whose appreciation of its responsibilities led him to discharge them on Sunday mornings. (Laughter.)

The Vice-Chancellor referred to the relations between the University and the Colleges, each of which was a separate foundation, enjoying autonomous powers in regard to its own policy and traditions. Recent tendencies had led to the University assuming a greater degree of responsibility for teaching and for some closer prescription of the duties and work of the Fellows of the Colleges. Yet each College remained entirely free in the election of Fellows. University finance was somewhat complicated, but one of the sources of revenue of the University was derived from a kind of tax upon the income of the Colleges, which was used for University purposes. He was glad that Cambridge was able to offer facilities to professional bodies such as theirs, for those purposes which their President had indicated, and he was pleased to hear that the Course had been held in such delightful weather and had met with such a large measure of success. (Applause.)

THE MAYOR OF CAMBRIDGE also responded. He welcomed to Cambridge the members of that Course, and was glad to have the opportunity of responding to the toast with the Vice-Chancellor. On the Corporation they had a number of representatives of the University. Thus the University and business sides of Cambridge were united in promoting the best interests of those who lived in Cambridge, and developing its amenities, enjoyed as he believed they were by a large number of visitors. Although their Course was specially arranged for the members of their Society, he noted they were to discuss Income Tax, Schedule D. He could assure them that was a subject in which others beside the members of their Society were somewhat compulsorily interested. (Laughter.) He understood and appreciated the services of their profession in dealing with that complicated and difficult problem which business men had to face though they could not hope to understand. It was a source of pride to him that his father had previously been the Chief Magistrate of the borough, whose interests he desired to serve. He wished them an enjoyable and successful visit to Cambridge. (Applause.)

MR. C. HEWETSON NELSON, Past-President, proposed the toast of "The President," and acknowledged the generous and charming hospitality which the President and Mrs. Cassleton Elliott had extended to the members of the Course at their home in Harpenden, and of which they would retain an imperishable memory. Speaking in the light of a long experience as a member of the Council, he could say with confidence that in each succeeding task which the President had undertaken, he had eclipsed the high standard of his previous attainment and had won the affection of his immediate colleagues and of the large number of young men and women whom he (Mr. Nelson) was delighted to see at that Course. He could not refrain from associating himself with all that the President had said about the kindness of the Master and Fellows of the College in regard to the proceedings at the Course, which would be memorable in the history of the Society. He asked them to join in the toast of the health of the President and he would add Mrs. Cassleton Elliott. (Applause.)

The PRESIDENT thanked Mr. Hewetson Nelson and the members for their reception of the toast and said he would convey to Mrs. Cassleton Elliott an expression of their kind thoughts.

FINAL MEETING.

The final meeting of the Course was held at the conclusion of dinner on Saturday, July 7th, when the President, Mr. E. Cassleton Elliott, addressed the meeting and expressed his thanks to all who had contributed to the success of the Course. He particularly referred to the happy spirit which had characterised their meetings. (Applause.) All the members had recognised that the Course was mainly directed to the purposes of education, and had attended with assiduity and regularity all the lectures and group meetings. He also expressed the personal pleasure of the Vice-President, the Past Presidents and members of the Council who were present at meeting so large a number of younger members of the Society, both men and women. He accorded to them his best wishes for their careers in the profession, and hoped they would have the opportunity of meeting again at another Course.

The following resolutions were then proposed by the President, seconded by the Vice-President, and carried by acclamation:—

"That the cordial thanks of the members of the Incorporated Accountants' Course, Cambridge, July, 1934, be accorded:—

1. To the Vice-Chancellor of the University of Cambridge for kindly opening the Course, and for his personal interest;
2. To the Master and Fellows of Gonville and Caius College, Cambridge, for the hospitality extended to the members and for the valuable residential and other facilities at the College;
3. To the Principal of Newnham College, Cambridge, for the facilities kindly accorded to the women members.
4. To His Worship the Mayor and the Corporation of Cambridge for the facilities granted within the Borough;
5. To the Dean of King's College, Cambridge, for the invitation to be present at the services on Sunday, July 8th.
6. To Mr. E. C. Rhodes, B.A., D.Sc., Reader in Statistics in the University of London, for his lecture;
7. To the members of the Society who had given lectures; to the Chairmen and Group Leaders;
8. To the President and Members of the Gonville and Caius College Amalgamated Clubs for the use of the sports ground;
9. To the President and Members of the University of Cambridge Swimming Club for the use of the bathing pool;
10. To the Captain and Committee of the Gog Magog Golf Club for the facilities of the course."

Mr. Cassleton Elliott said they were all most appreciative of the attention and services they had received from the College servants—the chef, the waiters in hall, the bedmakers and the College porters. In conclusion, he referred to the services of the Secretary, Mr. A. A. Garrett, in organising the arrangements which in the first place had involved considerable preliminary correspondence with Mr. Bertram Nelson, of Liverpool, to whom they were indebted for the idea of holding the Course; also to Mr. Ernest E. Edwards, the Parliamentary Secretary, and Mr. J. R. W. Alexander and the Society's staff for their work both before and during the proceedings. (Applause.)

On the motion of Mr. E. E. Franks, Cape Town, seconded by Mr. W. G. Lithgow, Southport, the following resolutions were also carried by acclamation.

"That the cordial thanks of the members of the Incorporated Accountants' Course, Cambridge, July, 1934, be accorded:

1. To the President and Mrs. Cassleton Elliott for their generous hospitality to the members of the Course in receiving them at their home in Harpenden.
2. To the President and Vice-President of the Society for presiding at the Course.
3. To the members of the Executive and Reception Committees for their services in making and carrying out the arrangements."

The President thanked the members for their resolutions and said it was a great pleasure to Mrs. Cassleton Elliott and himself to have had the opportunity of receiving the members at Harpenden, and to know they would retain happy memories of their visit and of all the proceedings in Cambridge.

RECREATION.

GOLF.

A Medal Handicap was held on the Gog Magog course on Friday, July 6th, by kind permission of the Captain and members.

Despite the extremely hot weather twenty-one cards were taken out, the players including the President, Mr. Cassleton Elliott, Sir Thomas Keens and Mrs. Henry Morgan.

The best score returned was a net 72. Both Mrs. Henry Morgan and Mr. Rupert N. Barnett returned this score, and the prize was divided between them. The President presented the prizes at lunch on Saturday.

A number of members again availed themselves of the opportunity of playing over the course on Saturday, July 7th.

CRICKET MATCH.

An enjoyable match took place at Caius College Sports Ground on the afternoon of Saturday, July 7th. Although the temperature reached 86 in the shade, the bowling and fielding of both sides showed keenness throughout. The result was:—

Mr. E. E. Edwards' Eleven, 129 runs.

Mr. E. E. Franks' Eleven, 80 runs.

TENNIS.

Although no tournament was played, many members attending the Course made use of the excellent tennis courts at the Caius College Sports Ground, which were available each afternoon.

SWIMMING.

Owing to the unusual heat, swimming was probably the most popular recreation at the Course. Each afternoon the University Bathing Sheds were well patronised by Incorporated Accountants. Here river bathing was enjoyed in ideal surroundings and on one day the temperature of the water reached 72°, the highest recorded at the Bathing Sheds during this century.

Many people also bathed in the upper reaches of the river and in the new bathing pool. The municipal open air bath at Midsummer Common also proved a convenient bathing place for several of those attending the Course.

CATHEDRAL PILGRIMAGE TICKETS.

A number of Pilgrimage Tickets were purchased by the Members of the Course and a sum of £10 was subscribed towards the fund being raised for the benefit of the unemployed by means of Pilgrimage Tickets.

The following are the names of those who attended the proceedings:—

Mr. E. Cassleton Elliott (President), Mr. R. Wilson Bartlett (Vice-President), Mr. C. Hewetson Nelson, Sir Thomas Keens, Mr. Henry Morgan (Past Presidents); Mr. W. Paynter, Mr. Percy Toothill, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. Fred Woolley (Members of Council); Sir Stephen Killik, Mr. Roland Burrows, K.C., Dr. Clement Gatley, Mr. Alexander Hannah, Mr. R. G. Acock, Mr. J. R. Willis Alexander, Mr. A. S. Allen, Mr. W. Anderson, Mr. C. J. B. Andrews, Mr. H. J. Armstrong, Mr. H. G. Ayres, Mr. W. J. Back, Mr. J. Baird, Mr. E. Baldry, Mr. R. J. L. Ball, Mr. R. N. Barnett, Mr. R. S. Baskin, Mr. H. E. Bell, Mr. Mervyn Bell, Mr. H. B. Bennett, Mr. C. V. Best, Mr. J. S. W. Bernhardt, Miss M. D. Black, Mr. H. Bowers, Mr. R. T. Boyes, Mr. W. D. Bramwell, Mr. W. J. Busschau, Mr. T. Butchart, Mr. C. F. Carlisle, Mr. E. Chetter, Miss G. L. Cowtan, Miss G. C. Cox, Miss F. G. Crick, Mr. J. B. Crowther, Mr. A. H. Crumpton, Mr. W. J. Cutlack, Mr. Arthur Daniels, Mr. Tudor Davies, Mr. Reginald Davis, Mr. S. F. Davis, Mr. C. M. Dolby, Mr. S. G. Dowden, Mr. W. S. Dye, Mr. D. A. Easton, Mr. R. A. Eccleston, Mr. C. E. Edwards, Miss A. J. Farr, Mr. J. C. Fay, Mr. H. Ferguson, Miss G. M. Fish, Mr. S. A. Forster, Mr. E. E. Franks, Mr. F. L. Gardiner, Mr. Hugh Gardiner, Mr. L. W. Gibbs, Mr. F. W. Goodwin, Mr. W. G. Gretton, Mr. W. V. Hamilton, Mr. A. E. Hammond, Mr. S. W. Hanscombe, M.B.E., Mr. G. O. Harrison, Mr. G. W. Higgs, Mr. J. S. Hiner, Mr. A. P. Horton, Mr. E. Hortop, Mr. A. V. Hussey, Miss A. Johnson, Mr. Ivor Johnson, Miss D. C. Kee, Mr. Roy Kendall, Mr. F. W. E. King, Mr. H. F. Leach, Mr. A. L. Leggett, Mr. H. G. P. Lewis, Mr. W. G. Lithgow, Mr. W. J. Lines, Mr. C. E. Little, Mr. R. Y. Lowe, Mr. D. Mahony, Mr. W. T. Manning, Mr. W. D. Menzies, Mr. R. Moorhouse, Mr. Albert Morrell, Mr. S. T. Morris, Mr. S. G. Moss, Mr. William Moss, Mr. Frank Mossford, Mr. W. D. Murphy, Mr. W. Bertram Nelson, Miss F. Nightingale, M.A., Mr. S. C. Parlett, Miss A. M. Paynter, Mr. J. Pearson-Griffiths, Mr. M. F. Pearce, Mr. N. F. Pennington, Mr. D. H. Pexton, Mr. E. B. Piggott, Mr. R. N. Price, Mr. G. Roby Pridie, Mr. T. Proudlove, Mr. Henry Pyke, Mr. L. Quinton, Mr. P. D. Rabjohns, Mr. G. E. Radford, Miss Phyllis Ridgway, Mr. Leonard Ross, Mr. F. L. Rouse, Mr. C. N. Rowe, Mr. L. E. Rudkin, Mr. L. C. Savage, Mr. J. N. Scriven, Mr. H. B. Sheasby, Mr. W. S. Simpson, Mr. D. Sirkkin, Mr. F. J. Smith, Mr. P. L. Smout, Miss Vera Snelling, Mr. W. J. Soper, Mr. P. G. Stenbridge, Mr. C. T. Stephens, Mr. Tom Stott, Mr. R. W. G. Taper, Mr. K. G. Taylor, Mr. D. T. Teed, Mr. F. Tucker, Mr. P. J. Tucker, Mr. S. C. Vanstone, Mr. R. Varney, Miss F. Wakeford, Mr. Percy H. Walker, Mr. S. I. Wallis, Miss E. M. Watson, Mr. A. J. Whiteley, Mr. T. E. Williams, Mr. F. R. Witty, Mr. S. Woodyer, Mr. Ernest E. Edwards (Parliamentary Secretary), and Mr. A. A. Garrett, (Secretary).

The Executive and Reception Committees were constituted as follows:—

Executive Committee: Mr. E. Cassleton Elliott (President of the Society), Mr. R. Wilson Bartlett (Vice-President of the Society), Mr. C. Hewetson Nelson, Sir Thomas Keens, Mr. Henry Morgan, Mr. A. A. Garrett, Mr. Ernest E. Edwards, B.A., Mr. J. R. W. Alexander, M.A.

Reception Committee: Mr. A. H. Crumpton, Mr. G. Roby Pridie, Mr. Alexander Hannah, Mr. S. W. Hanscombe, M.B.E., Mr. W. T. Manning, M.C., Mr. W. D. Menzies, Mr. S. T. Morris, Mr. W. Bertram Nelson, Miss Phyllis Ridgway, B.A., Mr. Percy H. Walker, Mr. S. I. Wallis, Mr. F. R. Witty.

Secretary: Mr. Alexander A. Garrett, M.B.E., M.A.

FINANCE ACT.

The following are the provisions of the Finance Act, 1934, relating to Income Tax and certain other financial matters:—

PART II.

Income Tax.

19.—(1) Income tax for the year 1934-35 shall be charged at the standard rate of four shillings and sixpence in the pound, and, in the case of an individual whose total income from all sources exceeds two thousand pounds, at such higher rates in respect of the excess over two thousand pounds as Parliament may hereafter determine.

(2) All such enactments as had effect with respect to the income tax charged for the year 1933-34 shall have effect with respect to the income tax charged for the year 1934-35.

HIGHER RATES OF INCOME TAX FOR 1933-1934.

20.—Income tax for the year 1933-34 shall be charged, in the case of an individual whose total income from all sources exceeded two thousand pounds, at the same higher rates in respect of the excess over two thousand pounds as were charged for the year 1932-33.

INCOME TAX ON CERTAIN RENTS, MINING ROYALTIES, &c.

21.—(1) Where rent is payable in respect of any land the property in which is not separately assessed and charged under Schedule A, or in respect of any easement, and—

- (a) the land or easement is used, occupied or enjoyed in connection with any of the concerns specified in Rules 1, 2 and 3 of No. III of Schedule A; or
- (b) the lease or other agreement under which the rent is payable provides for the recoupment of the rent by way of reduction of royalties or payments of a similar nature in the event of the land or easement being used, occupied or enjoyed as aforesaid;

the rent shall be charged with tax under Schedule D and shall, subject to the provisions of this section, be treated for the purpose of such of the provisions of the Income Tax Acts as refer to royalties paid in respect of the user of a patent as if it were such a royalty:

Provided that, where the rent is rendered in produce of the concern, it shall, instead of being treated as aforesaid, be charged under Case III of Schedule D as if it were mentioned in Rule 1 of the Rules applicable to that Case, and the value of the produce so rendered shall be taken to be the amount of the profits or income arising therefrom.

(2) Subject to the provisions of section two of the Provisional Collection of Taxes Act, 1913, a deduction from a payment of rent made by any person on account of income tax at any time before the passing of this Act, which would have been a legal deduction if the provisions of this section had been in force at that time, shall be deemed for all purposes (including all the purposes of legal proceedings instituted before the passing of this Act) to have been a legal deduction to which all the provisions of Rule 19 or Rule 21 of the General Rules, as the case may be, were applicable.

(3) The provisions of sub-section (2) of section two hundred and eleven of the Income Tax Act, 1918, shall have effect as if this section had come into operation on the sixth day of April, nineteen hundred and thirty-four.

(4) For the purpose of this section—

- (a) the expression "land" means lands, tenements, hereditaments and heritages;
- (b) the expression "easement" includes any right, privilege or benefit in, over or derived from land;

- (c) the expression "rent" includes a rent service, rent charge, fee farm rent, feu duty or other rent, toll, duty, royalty or annual or periodical payment in the nature of rent, whether payable in money or money's worth or otherwise, but does not include any of the payments enumerated in Rules 1 to 6 of No. II of Schedule A.

(5) Rule 5 of No. III of Schedule A (which provides for the computation of the annual value of the produce of any such concern as aforesaid) shall cease to have effect.

PART IV.

Miscellaneous and General.

REPEAL OF LAND VALUE TAX.

27.—The provisions of Part III of the Finance Act, 1931 (which charges land value tax), shall cease to have effect, except the provisions of section twenty-eight of the said Act and other provisions relating to that section.

ESTATE DUTY IN RESPECT OF ANNUITIES AND OTHER INTERESTS.

28.—For the purposes of paragraph (d) of sub-section (1) of section two of the Finance Act, 1894, where an annuity or other interest has been purchased or provided by the deceased, either by himself alone or in concert or by arrangement with any other person, the extent of any beneficial interest therein accruing or arising by survivorship or otherwise on the death of the deceased shall be ascertained, and shall be deemed always to have been ascertainable, without regard to any interest in expectancy the beneficiary may have had therein before the death:

Provided that, in a case where the deceased died before the passing of this Act, this section shall not apply to a beneficial interest accruing or arising under a disposition of property which produced income falling to be dealt with under the disposition during the lifetime of the deceased if no estate duty was paid in respect of the beneficial interest before the eighth day of December, nineteen hundred and thirty-two.

AMENDMENT AS TO STAMP DUTY ON LOAN CAPITAL.

29.—For the purpose of section eight of the Finance Act, 1899 (which provides for the payment of stamp duty in respect of the issue of loan capital), the expression "loan capital" shall not include any loan capital which is of such a description as to be incapable of being dealt in on a stock exchange in the United Kingdom.

SHORT TITLE, CONSTRUCTION, EXTENT AND REPEALS.

30.—(1) This Act may be cited as the Finance Act, 1934.

(2) Part I of this Act, so far as it relates to duties of customs, shall be construed as one with the Customs Consolidation Act, 1876, and so far as it relates to duties of excise shall be construed as one with the Acts which relate to the duties of excise and to the management of those duties, and for the purposes of the said Part I—

- (a) the expression "the Commissioners" means the Commissioners of Customs and Excise;
- (b) the expression "the Committee" means the Import Duties Advisory Committee;
- (c) the expressions "general *ad valorem* duty" and "additional duty" have respectively the same meanings as in the Import Duties Act, 1932, as amended by sub-section (2) of section sixteen of the Finance Act, 1933.

(3) Part II of this Act shall be construed as one with the Income Tax Acts.

(4) Any reference in this Act to any other enactment shall be construed as a reference to that enactment as amended or applied by any subsequent enactment including this Act.

(5) In this Act the expression "the United Kingdom" does not include the Isle of Man.

(6) Such of the provisions of this Act as relate to matters with respect to which the Parliament of Northern Ireland has power to make laws shall not extend to Northern Ireland.

(7) The enactments set out in the Fourth Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule.

FOURTH SCHEDULE.

ENACTMENTS REPEALED. (SECTION 30.)

Session and Chapter.	Short title.	Extent of repeal.
8 & 9 Geo. 5, c. 40.	The Income Tax Act, 1918.	Rule 5 of No. III of Schedule A.
14 & 15 Geo. 5, c. 21.	The Finance Act, 1924.	As from the first day of October, nineteen hundred and thirty-four, in sub-section (1) of section eighteen the words from "subject to the payment" to "ten shillings."
16 & 17 Geo. 5, c. 22.	The Finance Act, 1926.	In sub-section (2) of section ten the words from "and the duty" to the end of the sub-section; in the third column of the Third Schedule the figure 5; and, as from the first day of January, nineteen hundred and thirty-five, in section forty-two the words "or under paragraph 6 of the Second Schedule to the Finance Act, 1920."
21 & 22 Geo. 5, c. 28.	The Finance Act, 1931.	Sections ten to twenty-seven; sections twenty-nine to thirty-one; in section thirty-two the words from "Agricultural land" to the end of the definition of "Farmhouse," the definitions of "Local authority" and "Mineral wayleave," and the words from "Playing field" to the end of the section; section thirty-three; in section thirty-four the words "in connection with the value of land" and the words from "and any" to "1910"; paragraphs (a) to (e), (g) to (v), (y) and (z) of section thirty-five and in paragraph (f) of that section the words "'Tithe' means 'teind,'" the words "'mortgagee,' 'mortgaged estate' and," and the words from "incumbrance" to the end of the paragraph; and the First Schedule.
22 & 23 Geo. 5, c. 8.	The Import Duties Act, 1932.	Proviso (a) to sub-section (5) of section nineteen.

Session and Chapter.	Short title.	Extent of repeal.
22 & 23 Geo. 5, c. 25.	The Finance Act, 1932.	Sub-sections (1) and (3) of section two; in paragraph (b) of sub-section (2) of section nine the words "in the manufacture of goods of that class or description"; section twenty-seven; the First Schedule; and, as from the first day of January, nineteen hundred and thirty-five, section thirteen.
23 & 24 Geo. 5, c. 19.	The Finance Act, 1933.	Sub-section (4) of section six.

Correspondence.

APPORTIONMENTS.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—In your report in this month's issue, of Mr. W. R. Booth's lecture on Apportionments, the Lecturer suggests that the case of *Monks v. Fox's Executors* (13 T.C., 171) is an authority for the proposition that where securities are surrendered in part payment of death duties the interest accrued to date of surrender should be credited to capital, to make the transaction equivalent to a cum dividend sale. The conclusion seems to be unwarranted.

I grant him that normally there is no apportionment in the case of a sale of securities cum dividend, but this is merely a rule of convenience, as otherwise "a grievous burthen would be imposed upon the estates of testators by reason of the complex investigations which it would lead to" (per Kindersley (V.C.) in *Scholefield v. Redfern* (1863) 2 Dr. & Sm., 173). How can it be said that there is any complex investigation when the accrued interest on the surrendered securities has to be calculated in any event?

The point appears to be concluded by the case of *Mitchell v. C.I.R.* (18 T.C., 108), in which Megaw (J) made it quite clear that in his opinion where Victory Bonds are surrendered in payment of death duties the interest accruing from date of death to date of surrender cannot be regarded as capital. Incidentally, he approved the accounts prepared by the accountants in that case, in which such accrued interest had been set off against the interest on the estate duty.

I am, Sirs, Yours faithfully,

London, July, 1934.

A. F. CHICK.

I am obliged to your correspondent for drawing attention to the later case. I am, however, not at all sure that this is quite a parallel case, and in my opinion, the principle laid down in *Monk's and Fox's Executors* as regards the capitalising of income accrued prior to the date of transfer, as stated in the lecture, still holds good.—W. R. B.

Mr. I. J. Pitman, M.A., has been appointed Chairman and Managing Director of the well known publishing firm of Sir Isaac Pitman & Sons, Limited. Mr. Pitman is a grandson of the late Sir Isaac Pitman, whose invention of the system of Pitman shorthand in 1837 was the foundation of the business.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS IN SOUTH AFRICA.

APRIL AND MAY, 1934.

Final.

Alphabetical Order.

- AIKEN, ARTHUR STEPHEN, B.A., Clerk to J. G. Carter (Alex Aiken & Carter), Southern Life Buildings, Smith Street, Durban.
- ANDERSON, DOUGLAS IAN EVANS, Clerk to F. H. Allsworth (Roberts, Allsworth, Cooper, Brothers & Co.), 89, Stanley House, Commissioner Street, Johannesburg.
- BUTCHER, ALAN ROSS, Clerk to George Mackeurtan, Son & Crosoer, Old Well Court, 376, Smith Street, Durban.
- CAIRNS, THOMAS, B.Com., Clerk to Hands & Shore, 106, St. George's Street, Cape Town.
- DAVIS, EDGAR OLIVER, Clerk to E. H. Raynham (Salisbury, Beaton & Raynham), 9-11, Christian Street, Kimberley.
- DOWNES, BARRY TROUNCER, Clerk to W. Murray Smith & Berend, 378 and 380, Smith Street, Durban.
- DUDLEY, JOSEPH GILBERT, Clerk to S. W. Croxford (Collins & Croxford), P.O. Box 403, Salisbury, S. Rhodesia.
- HONE, HAROLD BRINDLEY, Audit Department, Government of Rhodesia, Livingstone, Rhodesia.
- LANGDON, FRED TALBOT, Clerk to J. Stewart (James Stewart & Steyn), 14-18, United Buildings, Rissik Street, Johannesburg.
- MILFORD, CECIL STANLEY, Clerk to A. L. Palmer (Palmer & Kent), P.O. Box 6255, Johannesburg.
- PARKER, GEORGE METHUEN, formerly Clerk to Herbert Greenwood, Grads Buildings, Reitz Street, Kroonstad.
- RUSH, MAURICE WALCOTT, Clerk to F. C. McConnell (Deloitte, Plender, Griffiths, Annan & Co.), 201, Consolidated Building, Fox Street, Johannesburg.
- STEIN, ARTHUR MAX, formerly Clerk to Leith, Freake & Cade, 20-21, Reids Buildings, corner of Main and Harrison Streets, Johannesburg.
- (21 Candidates failed to satisfy the Examiners.)

Intermediate.

Order of Merit.

- DEY, JAMES SCOTT DAVIDSON, Clerk to M. van der Spuy Dreyer (M. Dreyer & Co.), 1, 3 and 7, Lawley's Building, Fox Street, Johannesburg. (Second Place Certificate, bracketed.)

Alphabetical Order.

- ABRAHAMS, SIDNEY LIONEL, Clerk to R. Abrahams (Wolpert & Abrahams), 1/4, Wintons Chambers West Street, Durban.
- BAMFORD, ARTHUR LESLIE, Clerk to H. L. Collins (G. W. Morrison & Collins), 18-19-20, A.B.C. Chambers, Simmonds Street, Johannesburg.
- BITHREY, STANLEY ARTHUR, Clerk to A. S. Leith (Leith, Freake & Cade), 75, Maitland Street, Bloemfontein.
- BRINKWORTH, CEDRIC JOHN LEWIS, Clerk to W. B. Gurney (Gurney, Notcutt & Fisher), London and Lancashire House, 148, St. George's Street, Cape Town.
- CROSOER, REGINALD LIONEL, Clerk to George Mackeurtan, Son & Crosoer, Old Well Court, 376, Smith Street, Durban.
- DE FINE, FRANCIS JOAKIM OHLSON, Clerk to Maldwyn Edmund & Co., Royal Chambers, Simmonds Street, Johannesburg.
- GLYN, RONALD ST. GEORGE, Clerk to J. D. A. S. Low (Douglas Low & Co.), North British Buildings, Commissioner Street, Johannesburg.

GRAY, JAMES DE VILLIERS BROWSE, Clerk to James Mackelvie (Douglas, Mackelvie & Co.), Sun Buildings, corner St. George's and Longmarket Streets, Cape Town.

HARTLEY, ADRIAN, Clerk to P. E. T. Whiteley (Whiteley Brothers), Beresford House, Main Street, Johannesburg.

HEWITT, THOMAS EAGER, Clerk to R. B. Taylor (McKechnie & Taylor), 11-16, Reids Buildings, 92, Main Street, Johannesburg.

MATTERSON, CHARLES GEORGE HARDWICKE, Clerk to J. H. Dreyer (M. Dreyer & Co.), 1, 3 and 7, Lawley's Building, Fox Street, Johannesburg.

MUN-GAVIN, COLIN IVOR, Clerk to G. E. L. Horne (Compton & Horne), Colonial Mutual Life Building, West Street, Durban.

ROBERTS, BRIAN HENRY, Clerk to E. J. Trollip (Charles Hewitt & Trollip), 53 to 62, Sauer's Buildings, Loveday Street, Johannesburg.

RORKE, WILLIAM BUCKLAND, Clerk to J. D. M. Philip (Price, Waterhouse, Peat & Co.), 257, Pretorius Street, Pretoria.

SHRAND, DAVID, Clerk to Kenneth White (Kenneth White & Co.), Court Chambers, Keerom Street, Cape Town.

SPEKTOR, ELLIS, Clerk to A. Rosenberg, Bothner's Buildings, 84, St. George's Street, Cape Town.

TICKNER, NORMAN ROBERT, Clerk to A. W. Compton (Compton & Horne), Colonial Mutual Life Building, West Street, Durban.

WALKER, MARK SAVILLE BROWNLEE, Clerk to Francis Dix (Francis Dix & Co.), 35-39, Winchester House, Loveday Street, Johannesburg.
(Seventeen Candidates failed to satisfy the Examiners.)

Preliminary.

Alphabetical Order.

LEAL, JOHN ROWAN, c/o Douglas Low & Co., North British Buildings, Commissioner Street, Johannesburg.

VAN DER VEEN, GERALD, 1, St. Mark Road, Houghton Estate, Johannesburg.
(Four Candidates failed to satisfy the Examiners.)

THE INCORPORATED ACCOUNTANTS' GOLFING SOCIETY.

The Summer Meeting of the Society was held at Littlestone, Kent, on June 30th and July 1st, and was greatly enjoyed by all who participated.

The weather was very good, although a strong wind on Saturday morning was responsible for a number of poor scores.

The Society's Challenge Cup was played for on Saturday morning and was won by Mr. E. R. Inge, 87-11=76, the runner-up being Mr. D. C. Brook with a net score of 78; the bogey for the course was 75.

The conditions on Sunday morning were ideal, the prize for the morning round being won by Mr. A. Whatley, 85-14=71, Mr. E. R. Inge being second with a net score of 74.

The Nicholson Trophy competition was also decided at the meeting over 36 holes, and was won by Mr. E. R. Inge with a net aggregate score of 150, the runner-up being Mr. A. Whatley with 153.

Members are reminded that the Autumn Meeting of the Society is being held at the West Hill Golf Course, Brookwood, on Thursday, September 20th, when it is hoped that every member will make a special effort to be present.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following promotion in, and additions to, the membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

DIXON, FRANK (Alfred G. Deacon & Co.), National Chambers, 4, Horsefair Street, Leicester. Practising Accountant.

MANBY, THOMAS, New Gallery House, 6, Vigo Street, London, W.1, Practising Accountant.

PEARCE, EDWARD EWART (Sweeting, Pearce & Co.), 20, Windsor Place, Cardiff, Practising Accountant.

SHARP, ARCHIBALD (Alfred G. Deacon & Co.), National Chambers, 4, Horsefair Street, Leicester, Practising Accountant.

SMITH, ARTHUR JOHN (Alfred G. Deacon & Co.), National Chambers, 4, Horsefair Street, Leicester, Practising Accountant.

WALPOLE, GEORGE HENRY, 37, Montpelier Street, Brighton, Practising Accountant.

ASSOCIATES.

ALLEN, SYDNEY ARTHUR, Clerk to Chas. W. Rooke, Lane & Co., 2, Norfolk Street, Strand, London, W.C.2.

APPLEBY, OSBORNE, Clerk to Harrison, West, Ledsam & Co, 14, Waterloo Street, Birmingham 2.

APPLEYARD, WILLIAM, City Treasurer's Office, Town Hall, Salford.

BRYANT, WILLIE RUBERRY, Clerk to White & Pawley, 6, Sussex Terrace, Princess Square, Plymouth.

BURNS, CLIFFORD GEORGE, Clerk to Clarke, Dovey & Co., 31, Queen Street, Cardiff.

DAYSH, JACK THEODORE, Accountant's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1.

DICKINSON, JAMES WALTER, Clerk to Alec. S. Oldman, 27, North Albert Street, Fleetwood.

EDWARDS, THOMAS LEONARD, Clerk to Walter Baird & Co., District Bank Chambers, 1, Frodsham Street, Chester.

EMMANS, ROBERT JESSE FOLD (Fold, Emmans & Co.), 74, Broad Street, Teddington, Middlesex, Practising Accountant.

FISHER, ALFRED GEORGE, Finance Department, Coulsdon and Purley Urban District Council, Council Offices, Purley, Surrey.

HARMAN, WILLIAM RAYMOND, Borough Treasurer's Department, Town Hall, Wolverhampton.

HIGGS, OLIVE MARGARET, 22, Cartwright Gardens, London, W.C.1 (formerly Articled Clerk).

HOCKEY, STANLEY GEORGE, Clerk to Alban & Lamb, Barclays Bank Chambers, Newport, Mon.

HODSON, CHARLES HENRY, Clerk to M. P. Ferneyhough, 6, Commerce Street, Longton, Stoke-on-Trent.

JONES, FRANCIS JOHN COVENTRY, Clerk to E. J. Riches & Son, 12, Bank Street, Norwich.

LANGTON, ARTHUR EDWARD, LL.B., Clerk to Wilson, Bigg & Co., Pomeroy House, 28A, Basinghall Street, London, E.C.2.

LYNN, WILLIAM SLADE, Clerk to Edward Bicker & Son, Exchange Buildings, Upper Hinton Road, Bournemouth.

MALOOR, RAMA KRISHNA, B.A., Clerk to R. P. Dalal Navsari Chambers, Outram Road, Fort, Bombay.

RIGBY, JOHN, Clerk to Litton, Pownall, Blakey & Higson, 42, Spring Gardens, Manchester.

ROBINS, WILLIAM THOMAS, Clerk to Clifford Towers, Temple & Co., 9-10, Pancras Lane, London, E.C.4.

ROY, AMIYA MOHON, B.Sc., Clerk to Robertson & Co., First Avenue House, High Holborn, London, W.C.1.

TAYLOR, JOSEPH BENJAMIN, Clerk to Rushworth & Ingham, 15, Kirkgate, Bradford.

TORDOFF, GEOFFREY, Clerk to Starkie & Naylor, Greek Street Chambers, Leeds 1.

TURNER, ERNEST CECIL SEYMOUR, Clerk to Maurice Thompson & Co., Victoria House, Southampton Row, London, W.C.1.

WILLIAMS, GEORGE WILLIAM HENRY, City Treasurer's Department, Town Hall, Stoke-on-Trent.

QUESTIONS IN PARLIAMENT.

Death Duties.

On June 28th, Mr. Stourton asked the Chancellor of the Exchequer if his attention had been called to the death of Sir James Knott, who amassed a fortune in the North of England and left £5,000,000, which sum in its entirety escaped death duties payable in the United Kingdom, due to the fact that he had abandoned his English domicile and acquired a domicile in Jersey? Could he say whether beneficiaries under the will proposed to voluntarily pay duty as though the English domicile had been retained; and whether it was the intention to take steps to prevent such evasions at the expense of the community in future?

Mr. RANKIN asked the Chancellor of the Exchequer whether his attention had been called to another case of the evasion of death duties by a testator taking up residence in Jersey in the final years of his life; and whether he would consider introducing legislation to deal with cases of this nature?

THE CHANCELLOR OF THE EXCHEQUER (Mr. Chamberlain): My attention has been drawn to the cases to which my hon. Friends refer; but as they will appreciate, I am not prepared to disclose information as to the position in regard to taxation in a particular case. They may, however, rest assured that the subject of avoidance, not merely of death duties, but of taxation generally, is not overlooked, and that, should the necessity arise, appropriate action in the matter will be taken.

Sur-tax.

On June 28th, Sir R. GOWER asked the Financial Secretary to the Treasury what amounts of arrears of sur-tax remain for the financial years 1931-32 and 1932-33 respectively?

Mr. HORE-BELISHA: It is estimated that at April 30th last, the sur-tax then in assessment and unpaid for the years 1931-32 and 1932-33 which will ultimately prove to be collectable, amounted to £1,250,000 and £4,500,000 respectively.

Bankruptcy Acts (Prosecutions).

On July 5th, Mr. POTTER asked the President of the Board of Trade (1) the number of prosecutions which his Department undertook against debtors under the provisions of the Bankruptcy Acts for failing to keep proper books of account in respect of each of the last five years; and what were the consequences of such prosecutions;

(2) the number of prosecutions which his Department has instituted against debtors for misdemeanours under the principal Act and amending Acts of Bankruptcy in respect of each of the last five years?

THE PARLIAMENTARY SECRETARY TO THE BOARD OF TRADE (Dr. Burgin): As the reply contains a number of figures, I will circulate it in the Official Report.

Following is the reply:—

1929. 1930. 1931. 1932. 1933.

Number of cases in which prosecutions were undertaken under sect. 7 of the Bankruptcy Act, 1926, for failure to keep proper books of account or in which a charge under that section was included:

Prosecutions ..	19	21	16	18	14
Convictions ..	16	19	16	17	12

Number of prosecutions ordered for misdemeanours under the Bankruptcy Acts on reports lodged by Official Receivers ..

40	46	31	40	45
----	----	----	----	----

Companies Act, 1929.

On July 10th, Mr. JOHN WILMOT asked the President of the Board of Trade what steps he proposes to take in view of the widespread demand for amendment of the Companies Act, 1929, and particularly those sections which relate to proxy voting, accounts and audit, and subsidiary companies?

Mr. RUNCIMAN: The questions to which the hon. Member refers have been noted for investigation, when the amendment of the Companies Act is under consideration.

Mr. WILMOT: Has not the right hon. Gentleman received authoritative representations from the Association of British Chambers of Commerce containing the most complete evidence of the continuation, despite the Companies Act, of the most undesirable practices?

Mr. RUNCIMAN: The same reply has been made to the Associated Chambers as I have just made to my hon. Friend.

Mr. WILMOT: Will the right hon. Gentleman give an indication as to when he proposes to take in hand these urgent matters?

Mr. RUNCIMAN: Not at present.

Mr. GURNEY BRAITHWAITE: Will my right hon. Friend not adopt the suggestion of the hon. Member for East Fulham (Mr. Wilmot) with regard to proxy voting for the Trades Union Congress?

ARBITRATION ACT, 1934.

The June issue of the Journal of the Institute of Arbitrators is devoted largely to this Act and the circumstances leading up to its being placed on the Statute Book. It is pointed out that Lord Askwith, the President of the Institute, with a Committee specially appointed for the purpose, was mainly responsible for the drafting of the measure, and that Lord Askwith himself introduced it into the House of Lords.

Professional Appointment.

Mr. Bernard Charles Brown, A.S.A.A., who for the past five years has held the post of Treasurer and Accountant to the Glastonbury Council, has been appointed Accountant to the Portland Council in succession to Mr. J. Greenwood Comben, who has just resigned.

COMPANY REGISTRATIONS AT SOMERSET HOUSE.

The following Statistics relating to New Companies registered in England during the first half of the year 1934 have been compiled by Jordan & Sons, Limited, Company Registration Agents, Chancery Lane, London.

Classes.	Public Companies.		Private Companies.		Totals.	
	Number Registered. *	Capital.	Number Registered.	Capital.	Number Registered.	Capital.
		£		£		£
Advertising	1	5,000	85	134,167	86	139,167
Boots and Shoes	1	100,000	52	497,550	53	597,550
Bricks, Cement, &c. .. .	4	476,000	92	669,400	96	1,145,400
Builders	1	1,000,000	466	1,272,900	467	2,272,900
Carriers	2	50,000	140	295,030	142	345,030
Chemicals	3	236,000	294	847,100	297	1,083,100
Clothing	1	112,500	523	1,105,710	524	1,218,210
Clubs	10	29,000	48	163,250	58	192,250
Drink	4	2,425,000	71	240,277	75	2,665,277
Electricity, Gas and Water .. .	13	1,549,100	248	1,135,065	261	2,684,165
Engineers	12	6,938,000	351	1,384,853	363	8,322,853
Farmers and Planters	12	1,026,000	50	310,655	62	1,336,655
Food	12	995,100	532	2,068,304	544	3,063,404
Furniture	—	—	178	593,010	178	593,010
Glass and Pottery	1	120,000	43	191,300	44	311,300
Hotels	4	330,000	57	284,200	61	614,200
Insurance	—	—	25	126,650	25	126,650
Investment, Finance and Banks .. .	13	2,627,564	268	11,858,231	281	14,485,795
Jewellery	—	—	36	108,600	36	108,600
Kinemas	5	24,000	115	654,300	120	678,300
Land and Buildings	21	1,900,710	497	5,534,895	518	7,435,605
Laundries	—	—	69	202,076	69	202,076
Leather	—	—	52	312,100	52	312,100
Merchants	2	5,000	336	1,102,925	338	1,107,925
Metals	2	100,000	61	312,552	63	412,552
Mines and Quarries	37	7,943,400	65	453,500	102	8,396,900
Miscellaneous	15	96,500	137	294,585	152	391,085
Moneylenders	—	—	15	93,900	15	93,900
Motors	2	200,100	301	768,900	303	969,000
Music	1	—	30	76,800	31	76,800
Newspapers	2	24,000	52	511,100	54	535,100
Nurserymen	—	—	41	104,510	41	104,510
Nursing	4	15,000	41	149,000	45	164,000
Oil	2	250,100	37	987,650	39	1,237,750
Photography	1	135,000	26	177,950	27	312,950
Printers	—	—	105	242,700	105	242,700
Publishers	1	150,000	41	89,201	42	239,201
Rails	1	300,000	3	36,600	4	336,600
Roads	1	675,000	14	93,900	15	768,900
Rubber	4	1,440,000	25	143,050	29	1,583,050
Schools	4	6,000	18	46,750	22	52,750
Shipping	7	10,286,500	67	912,050	74	11,198,550
Sports	16	37,550	127	251,970	143	289,520
Stationers and Papermakers .. .	1	1,000,000	73	279,575	74	1,279,575
Textiles	3	625,000	229	1,324,300	232	1,949,300
Theatres	1	20,000	86	248,900	87	268,900
Timber	2	3,000	62	376,700	64	379,700
Tobacco	1	—	56	177,505	57	177,505
Totals (for first half of 1934) .. .	230 *	43,256,124	6,340	39,246,196	6,570	82,502,320
Corresponding figures, first half of 1933 .. .	155	16,046,275	5,485	26,279,694	5,640	42,325,969
Corresponding figures, first half of 1932 .. .	108	5,254,458	4,985	28,803,098	5,093	34,057,556
Corresponding figures, first half of 1931 .. .	135	6,380,672	4,202	21,348,880	4,337	27,729,552

* In this column are included 53 "Companies Limited by Guarantee" and "Associations Not for Profit" without Share Capital, such Companies being technically Public however small the membership may be.

Obituary.

CHARLES SYDNEY FREAKE.

We have learned with regret that Mr. C. S. Freake, F.S.A.A., of East London, South Africa, died as the result of an accident on June 16th. Mr. Freake had been a member of the Society since 1903. After many years in the office of Messrs. Felton & Co., Birmingham, he went to South Africa in 1921, becoming a partner in the firm of W. G. Hodges & Co., Bloemfontein. He subsequently founded the firm of Charles S. Freake & Co., East London, of which he was senior partner at the time of his death.

CHARLES JOHN SINCLAIR.

We regret to announce the death of Mr. Charles John Sinclair, A.S.A.A., formerly of Weavers' Hall, 22, Basinghall Street, London, E.C.2, who retired at the end of 1933 after having been in practice for a long number of years. Mr. Sinclair was elected an Associate of the Society in the year 1903.

FREDERICK GARRARD STEPHENSON.

We regret to record the death of Mr. Frederick Garrard Stephenson, one of the original Fellows of the Society, at the age of 76 years. Mr. F. J. Stephenson carried on public practice in Scarborough, at first in partnership with his brother, who pre-deceased him in the year 1916. Among the professional appointments held by him was that of Secretary to the Harbour Commissioners of Scarborough, and also an appointment in connection with the Yorkshire and County Savings Bank. Mr. Stephenson was a Justice of the Peace and in other ways was identified with the public and religious life of Scarborough. The funeral service on June 19th was attended by the Mayor and Members of the Corporation of Scarborough and by a large number of residents.

Changes and Removals.

Messrs. Benbow & Ains have removed their offices to Derngate House, 45, Derngate, Northampton.

Messrs. Davies & Davies, Incorporated Accountants, announce a change of address to Andrews Buildings, 67, Queen Street, Cardiff.

Mr. Harvey Gordon, Incorporated Accountant, has commenced to practise at Queen Buildings, Queen Street, Wrexham.

Mr. W. Holland, Incorporated Accountant, has commenced to practise at 18, Bennetts Hill, Birmingham, 2.

Mr. E. T. Kemp, Incorporated Accountant, intimates a change of address to 1, Brunswick Place, Southampton.

Mr. H. B. Pettigrew, Incorporated Accountant, has removed his office to 33 and 34, A.B.C. Chambers, corner of Simmonds and Fox Streets, Johannesburg, South Africa.

Messrs. D. Roth and E. G. Wolfe, 6, Vigo Street, London, W.1, announce that they have taken into partnership Mr. Thomas Manby, Incorporated Accountant, and Mr. Stanley J. Lambert, Chartered Accountant. The new firm will practise under the style of Roth, Manby and Wolfe.

Mr. Stanley A. Spofforth, Incorporated Accountant, of 10, Shelley Road, Worthing, has opened a branch office at Bush House, Aldwych, London, W.C.2.

Messrs. Stanley F. Stephens & Co., Incorporated Accountants, New Hibernia Chambers, London Bridge, London, S.E.1, announce that Mr. Stanley F. Stephens has retired from the partnership for reasons of ill-health. The remaining partners will continue to practise under the same style as heretofore.

Mr. J. Fred Stott, Incorporated Accountant, has removed to 1, Fennel Street, Manchester, 4.

Mr. Kenneth White, Incorporated Accountant, of Court Chambers, Keeron Street, Cape Town, South Africa, has admitted into partnership Mr. W. E. Wells and they will practise under the style of Kenneth White & Co., Chartered Accountants.

District Societies of Incorporated Accountants.

BENGAL.

Annual Report.

The Committee presents to the members its report on the activities of the Society for the year ended March 31st, 1934.

The inaugural meeting was held in March, 1933, and in the presence of a large number of Incorporated Accountants this Society was established.

MEMBERSHIP.

The year closed with ten Fellows, twelve Associates, and nine Students on the Society's roll. The register of members shows that 22 Incorporated Accountants out of 46, whose names appear in the Year Book of the Parent Society, joined this Society during the first year. It is hoped that a good number, particularly those who are not in practice, will see their way soon to lend their co-operation.

LECTURES.

Lectures and meetings for the benefit of students and members were held during the year. The following programme was followed:—

- "Registration of Accountants in India," by Mr. S. K. Kar, B.Sc., A.S.A.A., A.I.S.A., R.A.
- "Home Truths and Scraps from Auditors' Diary," by Mr. M. L. Tarmaster, F.S.A.A., F.C.I.S., R.A.
- "Finance and System of Accounts in Railways in India," by Mr. S. K. Datta Roy.
- "Cost Accounts," by Mr. G. Basu, B.A., F.S.A.A., A.I.S.A., R.A.
- "Stock Exchange Transactions," by Mr. S. K. Kar, B.Sc., A.S.A.A., A.I.S.A., R.A.
- "Some Aspects of Law and Practice of Banking in India," by Mr. J. P. Mitter, B.A., Barrister-at-Law.
- "Reserve Bank for India," by Dr. M. M. Roy, D.Sc., Ph.D., Cert. A.I.B.
- "Criticism of Balance Sheets," by Mr. V. F. Viccajee, B.A., A.S.A.A., A.I.S.A., R.A.

SOCIAL EVENTS.

An "At Home" was held on May 13th, 1933, and the guest of honour was the Registrar of Joint Stock Companies, Bengal. A dinner was held at the Continental Hotel on December 11th, 1933. Both were well attended.

STUDENTS' SECTION.

A Students' Section was started with the permission of the Parent Society, and it appears to be well supported. Suggestions from students are appreciated at all times.

LIBRARY.

The library has been opened, and in addition to the presentations received from some members and the Parent Society, the Society purchased a number of useful books. Members wishing to recommend books for addition to the library should advise the Honorary Secretary.

REGISTRATION OF ACCOUNTANTS IN INDIA.

The attention of the Committee was directed to the registration of accountants, and also to the proposed formation of a Society of Registered Accountants in Bengal.

COMMITTEE.

Under Rules 5 (b) and (d) you have to fill the vacancies on the Committee caused by the retirement of Mr. S. R. Batliboi and Mr. S. O. Alldridge and by disqualification for non-attendance of Mr. A. M. Roy and Mr. E. S. G. Fricker, who are also eligible for re-election.

BIRMINGHAM.

ANNUAL MEETING.

The 43rd annual meeting of the Society was held at the Queen's Hotel, Birmingham. Mr. E. T. Brown, the President, was in the chair, and there was a larger attendance of students and members than for many years. The President referred to the loss the Society had sustained on the death of Mr. E. T. Kerr last November, and it was resolved that the Society's appreciation of Mr. Kerr's services be recorded in the minutes. The accounts as presented were adopted. Mr. A. P. Bardell and Mr. C. N. Rowe were re-elected members of the Committee, together with Miss E. M. Watson and Mr. J. R. Johnson, City Treasurer of the Birmingham Corporation, and Mr. W. A. Mumford was re-appointed Auditor. Mr. E. K. Bennett presented the report of the Committee with regard to the appointment of a Consultative Committee, and after a long discussion it was resolved that the Committee be authorised to proceed with the appointment of a Consultative Committee for the benefit of the members.

BOMBAY.

The Committee have pleasure in presenting to the members the fifth annual report of the District Society.

MEMBERSHIP.

The number of members on the roll is 34, including eleven who are resident outside Bombay.

STUDY CIRCLES.

The income tax study circle formed last year has been working so successfully that we were induced to start a "Company" study circle on similar lines. Our thanks are due to Mr. R. K. Dalal, the enthusiastic secretary of the study circles.

LIBRARY.

The library has grown in size and utility during the year, and we have now nearly 200 volumes dealing with accounting, auditing and mercantile law. Mr. K. J. Purohit, one of our members, has kindly presented a number of bound volumes of *The Accountant* and *Incorporated Accountants' Journal*. We have also received presentation copies of books published by some of our members.

SOCIAL FUNCTIONS.

A number of social functions were held during the year and were very well attended.

The following have been elected members of the Committee for the current year:—Mr. S. S. Engineer (President), Mr. F. R. Merchant (Vice-President), Mr. N. M. Rajji, Mr. N. J. Shah, Mr. A. K. S. Aiyar (Librarian), Mr. R. C. Mehta, Mr. R. P. Dalal, Mr. R. C. Dewan, Mr.

M. P. Mistry and Mr. J. H. Patel (Secretaries), Mr. P. C. Hansotia (Auditor), and Mr. R. K. Dalal (Study Circle Secretary).

CUMBERLAND AND WESTMORLAND.

A summer gathering of the Incorporated Accountants' District Society of Cumberland and Westmorland was held at the Keswick Hotel, Keswick, on July 21st. Mr. John Watson presided, and those present included Mr. E. Cassleton Elliott, President of the Parent Society, and Mrs. Cassleton Elliott, Mr. and Mrs. A. A. Garrett, Brig.-Gen. Spedding, Mr. W. Irving and Mrs. Irving, Mr. L. R. Chiplen (Borough Treasurer, Workington) and Mrs. Chiplen, Mr. W. E. Carter (Borough Treasurer, Kendal), Mr. E. J. Williams and Mrs. Williams, Mr. T. E. Williams, Mr. and Mrs. H. J. Rigg, Mr. W. E. Percival, Mr. C. H. Dennison, Mr. and Mrs. C. H. Huntley, Mr. and Mrs. F. T. Kenyon, Mr. W. L. Harris and Miss Harris, Mr. E. H. Marsh, Mr. and Mrs. C. N. Kennedy, Mr. and Mrs. L. E. Iredale, Mr. J. S. Sutherland, and Mr. R. Simpson Duthie.

Mr. Watson extended a cordial welcome to Mr. and Mrs. Cassleton Elliott, and said that the members appreciated their kindness in travelling a long distance from London at the week-end to meet the members in Cumberland and Westmorland. Although their number was comparatively small they were united in their loyalty to the Society, and in spite of their district being a long way from London, they appreciated the interest which was shown in them by the President and Council of the Society.

The President, in his reply, thanked Mr. Watson and the members for their cordial reception. Mrs. Cassleton Elliott and himself had previously enjoyed their hospitality and it always afforded them pleasure to come to that beautiful part of the country and to meet their friends in the Society. The Society of Incorporated Accountants had always devoted much consideration to professional education. By that means the capacity of their members and the estimation in which Incorporated Accountants were held was raised. In the development of their policy the Society had recently completed a Course for younger members, which had been held at Cambridge, and which had undoubtedly achieved the purpose which the Council hoped it would. He was glad to know that their District Society was represented at the Course, and he appreciated what they were doing for professional education in their own district. Next year the Society would celebrate the Jubilee of its foundation, and he considered it fortunate that that celebration would be associated in their minds with the importance which the Society attached to professional education.

Mr. Garrett also briefly responded.

Mr. E. J. Williams proposed a hearty vote of thanks to the President and to Mr. Garrett for their presence, to which the President briefly replied.

Mr. H. J. Rigg, on behalf of the District Society, referred to the presence of a number of guests. Brig.-Gen. Spedding replied, and made some interesting observations upon the historical and poetical associations of the Lake District and on the opportunity which it afforded to a large number of those seeking health and pleasure.

NORTH LANCASHIRE.

The annual meeting of this Society was held on June 29th, under the chairmanship of Mr. John Potter, M.P. The report and accounts for the year 1933-34 were received and adopted and the following retiring

members of the Committee were re-elected:—Mr. J. P. Duxbury, Mr. W. H. Marsden, and Mr. D. W. Wilkinson. Mr. J. Wareing, Hon. Secretary, Mr. J. Lucas, Hon. Treasurer, and Mr. A. S. Oldman, Hon. Auditor, were also re-elected.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

On July 4th, a visit was made to the West Regional Station of the B.B.C. at Washford Cross, Somerset. The party, which was conducted over the establishment by two guides, was most interested in everything that was shown and explained to them. Tea was taken at Dunster.

The annual cricket match between the Cardiff Incorporated Accountants Students' Section and the Cardiff Chartered Accountants Students' Society was played at the Cardiff Arms Park on July 18th. The Incorporated Students reached a total of 159, of which Mr. H. C. Hopkin contributed 100. The Chartered Students were finally dismissed for 83, the Incorporated Students winning by 77 runs. The match was favoured with brilliant weather, and proved most enjoyable.

YORKSHIRE.

ANNUAL MEETING.

The fortieth annual general meeting was held on June 29th, at the Hotel Metropole, Leeds, under the chairmanship of the President, Mr. Thomas Hayes, F.S.A.A.

The annual report and accounts for the year ended March 31st, 1934, were approved and adopted. The retiring members of the Committee, Mr. A. J. Brindley, Mr. H. Derwick, Mr. G. O. W. Pickard, Mr. A. Walton, and Mr. W. Walker, were re-elected, and Mr. J. H. Alexander, Mr. T. G. N. Hollings, Mr. W. H. McMinn, and Mr. A. J. Naylor, were appointed to fill vacancies on the Committee. Mr. Tom Coombs, F.S.A.A., was re-appointed hon. auditor.

At the Committee meeting held on July 12th, the following officers were elected for 1934-35: President, Mr. Frank Harrison, F.S.A.A.; Senior Vice-President, Mr. Oswald Coope, M.C., A.S.A.A.; Hon. Treasurer, Mrs. Alfred Walton, F.S.A.A.; Hon. Secretary and Librarian, Mr. T. W. Dresser, F.S.A.A.

Syllabus of Lectures.

The following Lectures have been arranged to be given at the Hotel Metropole, King Street, Leeds, at 6.30 p.m. :—

- 1934.
- Oct. 9th. "Process Costs," by Mr. W. H. Stalker, A.S.A.A., F.C.W.A.
- Oct. 23rd. "Secretarial Duties," by Mr. A. A. Garrett, M.B.E., M.A., B.Sc., F.C.I.S.
- Nov. 6th. "Co-Partnership and Profit Sharing," by Mr. Percy H. Walker, F.S.A.A.
- Nov. 20th. Lecture by Mr. H. A. Perkis, A.S.A.A., A.C.A.
- Dec. 4th. "Back-Tax Cases," by Mr. Victor Walton, F.C.A., F.S.S., F.R.Econ.S.
- 1935.
- Jan. 15th. "Mechanical Accounting," by Mr. David C. Stewart.

- Jan. 29th. "Executors' Accounts, Auditing, &c." by Mr. W. H. Grainger, F.S.A.A.
- Feb. 12th. "Cost Accounts," by Mr. Walter Bigg, F.S.A.A., F.C.A.
- Mar. 12th. "The Money Policy of the National Government," by Mr. F. J. Lewcock, A.C.I.S., A.I.B., F.R.Econ.S., Editor of "Branch Banking."

SCOTTISH EDUCATION ACCOUNTS.

The sixty-first annual report by the accountant to the Scottish Education Department (Mr. J. A. Thomson), prepared from the education accounts for the year 1932-33 of County Councils and Town Councils of county burghs, shows that there was a decrease of expenditure of nearly £400,000 as compared with that of the previous year.

In the cases where expenditure of an illegal or doubtful nature had been charged to the education accounts, the report states, the authorities concerned agreed either to refunds or recovery of amounts paid, or gave undertakings not to incur similar expenditure in future, and no action by way of a report to the Department was necessary.

There was a satisfactory decrease in the number of cases in which the consent or approval of the Department to expenditure as required by statute had not been obtained. The necessary consent or approval was subsequently given in all cases.

The total income was derived from the following sources, viz :—

Grants from the Scottish Education Department	£6,399,763
School Fees	173,502
Endowments	23,786
Contributions under sect. 10, Act of 1918	1,733
Income from other sources for revenue purposes	36,732
Total revenue receipts	£6,635,516

The balance of expenditure over revenue was met from the grants under Part III of the Local Government (Scotland) Act, 1929, and the Consolidated Rates.

The total revenue expenditure as appearing in the audited accounts was £11,993,694, reduced to £11,977,071 by the elimination of a cross-entry of £16,623.

It may be noted that of the total net expenditure of £11,977,071, salaries and retiring allowances to teachers amounted to £7,506,650, or 62.67 per cent. of the whole expenditure. Maintenance absorbed £1,787,863, or 14.93 per cent., while administration was £385,343, or 3.32 per cent.

This shows a decrease of £400,000, compared with the previous year.

Of the revenue expenditure of £11,977,071, £235,753 was covered by receipts other than from grants and rates. The proportions of the balance of £11,741,318 met from grants and rates were as undernoted :—

		Per cent.
Grants from the Scottish Education Department	£6,399,763	54.5
Balance met from grants under Part III of the Local Government (Scotland) Act, 1929, and from the consolidated rates	5,341,555	45.5
	£11,741,318	100

With the restoration of "cuts" and other increases, it is not to be expected that a decrease will be reported for 1934.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Meeting of Scottish Council.

A meeting of the Council of the Scottish Branch was held on June 29th. There were present Mr. J. Stewart Seggie, President, in the chair, Dr. John Bell, Mr. R. T. Dunlop and Mr. W. Davidson Hall, Vice-Presidents; Mr. John A. Gough, Mr. William Houston, and Mr. E. Hall Wight, Glasgow; Mr. J. T. Morrison, Coatbridge; Mr. D. R. Matheson, M.A., LL.B., Edinburgh, and Mr. James Paterson, Secretary.

Apologies for absence were intimated from Mr. D. Hill Jack, Mr. Walter Macgregor, Mr. Alex. Davidson, Mr. W. L. Pattullo, Mr. P. G. S. Ritchie, Mr. E. Mortimer Brodie and Mr. J. Cradock Walker.

Reports were made by the Secretary on the Society's work in Scotland, and other matters.

The Council learned with satisfaction that, of the Final candidates who sat in May, 62.5 per cent. passed, and of the Intermediate candidates 43.75 per cent., and that two Intermediate candidates, Mr. J. A. Mackerrell and Mr. William Kirkland, had obtained Honours. It was agreed to present these candidates with prizes value £3 3s. each for attaining this distinction.

A Purist in Trust Administration.

A dispute about the endorsement of a deposit receipt was settled by a decision of Lord Carmont last month. The pursuer, when a minor, had asked the defender, a merchant in the North-west Highlands, to put £500 which was at her disposal on deposit receipt in her name and in that of the defender and another trustee in trust for her behoof. After reaching majority she wished to uplift the money from the bank and asked the defender to sign the deposit receipt and send it to her so that she might obtain the signature of the other trustee and thereafter get the money from the bank.

The defender declined to do this and intimated that if the other trustee were to sign first and send the receipt to him (the defender) he would uplift the money and hand it over to the pursuer. The pursuer did not desire that the defender should be put in a position himself to cash the deposit receipt.

The defender maintained that there was no relevant case alleged against him, inasmuch as the deposit receipt was not the pursuer's property, and that a beneficiary had no right to demand any specific investment standing in name of a trustee, but had merely the right to obtain payment of the money held in trust.

His Lordship said it was not suggested that the pursuer was not entitled to the proceeds of the receipt, and any reasonable man would, his Lordship thought, have endorsed the receipt and left the pursuer to get the remaining trustee's signature, so that the money might be obtained.

In order to bring this unfortunate dispute to an end his Lordship made a suggestion to the defender's senior counsel that he should endeavour to get his client to endorse the receipt and lodge it in process, but that proposal had met with no response from the defender.

His Lordship repelled the defences as irrelevant and granted decree for endorsement of the receipt and delivery within ten days.

Notes on Legal Cases.

EXECUTORSHIP LAW AND TRUSTS.

In the Estates of Young and Another.

Remuneration of Trustee.

Where letters of administration are granted to a trust corporation, the Court may give the corporation power to charge for its services as trustee on the authorised scale.

(P. (1934) 50 T.L.R., 424.)

Velasco v. Coney.

Revocation of Will.

Where a will was made by an Italian subject, domiciled in Italy, in English form and valid in Italian law, exercising a special power of appointment over English assets, and the will was revoked by the testatrix in accordance with Italian law, but not in compliance with the requirements of the Wills Act, 1837, the Court held that, in the absence of authority to the contrary, the will must be held to have been properly revoked.

(P. ; (1934) 50 T.L.R., 444.)

In Re Garrett ; Croft v. Ruck.

Power of Advancement.

Under the trusts of the will of a testator, an infant was entitled, subject to the life interests of the testator's widow and the infant's mother who was restrained from anticipation, to a share in the testator's residuary estate contingently upon surviving her mother and attaining the age of twenty-one years.

A summons by the mother of the infant asked that the trustees might be authorised under sect. 32 of the Trustee Act, 1925, with the consent of the plaintiff and of the testator's widow to raise and pay out of the capital of the contingent share of the infant in the residuary estate of the testator certain sums for school fees and other incidental expenses.

Clauson (J.) held (1) that upon the proper construction of the will and sect. 32, the alternative contingency therein mentioned of "the occurrence of some other event" is not restricted to the occurrence of an event having no reference to a specified age, but, while excluding the single event of attaining a specified age, included the compound or double event of attaining a specified age and survivorship, and that, accordingly, the power of advancement conferred upon trustees by that section was (subject to the provisos in that section) available in respect of the interest of the infant in the residuary estate of the testator; and (2) that notwithstanding the restraint on anticipation imposed by the will on the interest of the mother of the infant, she was capable of giving a valid consent to the exercise of such power.

(Ch. ; (1934) 1 Ch., 477.)

INSOLVENCY.

Re Maundy Gregory ; Trustee v. Patriarch of Jerusalem.

Jurisdiction of Court in Mandated Territory.

Farwell (J.) held that the District Court of Jerusalem is a British Court, having jurisdiction in bankruptcy within sect. 122 of the Bankruptcy Act, 1914.

(Ch. ; (1934) L.J.N., 429.)

Re Maundy Gregory ; Trustee v. Norton.

Examination of Witness.

By sect. 25 of the Bankruptcy Act, 1914, the Court may summon before it any person whom it may deem capable of giving information respecting the debtor, his dealings or property, and may require any such person to produce any documents in his custody or power relating to the debtor, his dealings or property.

Clauson (J.) held that under sect. 25, a witness may be required to answer questions relating to the compromise of proceedings between the bankrupt and a third party.

(Ch. ; (1934) L.J.N., 430.)